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The Panic of 1837

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THE PANIC OF 1837

by

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Chapter I

AN INTRODUCTORY SURVEY

During the comparatively short course of our national history we have had seven major panics. One of the most severe, if, perhaps, not the worst, was the panic of 1837¹. The purpose of this paper is to describe some of its effects upon American life. The facts narrated will give the reader a few hints of the terrible calamity which fell upon our nation in its youth.

Contemporary opinion differed greatly as to the causes of the panic. As a rule the expressions of opinion were tinged by political or social partisanship. Some held that the real cause was to be found in Jackson's tampering with the money and credit systems of the country; others laid the blame at England's door; and still others called attention to crop failures, floods, and the luxurious living of the time. A brief survey will indicate the relative value of these various causes.

The financial condition of the country after the war of 1812 convinced national leaders that there was a vital need for a national bank. Some politically prominent leaders opposed the idea as an unconstitutional act on the part of the national government. But, in the emergency, constitutional objections were laid aside and after some comparatively minor difficulties the bill creating the Second United States Bank was passed in 1816. The privileges granted the new bank aroused the bitter opposition of some of the State authorities and of some of the State banks,

1. 1818, 1837, 1864, 1873, 1893, 1920, 1929. -- Cf. Warren, G.F. and Pearson, F.A., Gold and Prices, (John Wiley and Sons, N.Y., 1935), p. 239.

and a few attempts were made to curb its activities within certain States. The bank was, however, supported in a series of decisions handed down by the Supreme Court. These decisions rendered the position of the bank almost impregnable. The open opposition of the States ceased, but their hatred of the bank continued unabated, and they lay in wait, as it were, for an opportunity to crush it.

The opportunity to crush the bank came in 1829 when Andrew Jackson was elected President of the United States. Jackson's political philosophy was that the people should be supreme, and he believed that a national bank and the supremacy of the people were two incompatible ideas. His opposition to the bank was further intensified by his conviction that it was controlled by foreign investors; that it had meddled in politics in certain sections of the country; and that it was financially unsound. He, therefore, determined to terminate its career. Biddle, the president of the bank, denied the charges and endeavored, first, to placate Jackson; and, then, to intimidate him by applying for a recharter four years before the old charter was to expire and at a time when Jackson was looking forward to the next presidential election. Jackson, against the wishes of his advisers, accepted the challenge and vetoed the bill granting the new charter. He was re-elected, and considering his re-election as the nation's endorsement of his opposition to the bank, he issued an order to his Secretary of the Treasury that all public funds should be withdrawn from the bank's care on or before October 1, 1833 and deposited with certain carefully selected State banks. His veto of

the bill granting a new charter and his order for the removal of the deposits deranged the domestic and foreign exchanges of the nation. This condition was bad enough, but it might have been weathered had it not been for the subsequent bad, and in some cases corrupt, banking practices of the State banks.

There had always been a tendency in American life for speculative ventures, but the United States Bank through its indirect power to control State banks and to check an increase in the supply of easy paper money had acted as a restraining influence. Some of the commercial, industrial, and banking leaders of the country complained that its restraining influence was too rigid, and that it was exercised in the interests of a certain section and class. One of Jackson's purposes was to break down this rigidity and partiality; i.e., to make loans easier and more available for all classes and all sections. His intention was good, but what actually happened was that the speculators got the upper hand. The high and quick profits which they held out to the bankers induced the old banks to extend their paper money beyond all reasonable bounds, and acted as an incentive for the creation of new banks by irresponsible and unscrupulous persons for the sole purpose of issuing paper money. The result was that between the years 1834 and 1837, two-hundred and eighty two new State banks were organized and the amount of paper money was increased by approximately 57%. As a consequence, banking itself became speculative and the entire credit system of the country became balanced, as it were, upon the slender point of the speculators ability to sustain the confidence of the people for an indefinite

period. From the government's point of view the situation became alarming when it was discovered that the deposit banks were also indulging in speculative ventures, and that the public lands were being paid for in paper money which, in many cases, could never be redeemed by specie. To correct these two evils the government did two things: (a) On June 23, 1836, an act was passed regulating the deposits of public money; (b) on July 11, 1836, the treasury issued the Specie Circular, directing that in the future all public lands should be paid for in gold or silver.

The banks which had been selected to act as depositories for the public funds were controlled by fairly stringent regulations laid down by the treasury department. But these regulations did not have the force of law. All the government could do in case of a violation by one of the banks was to remove the deposits from its keeping. This did not prove to be very effective. Jackson realized this and as early as December, 1834, had urged Congress to provide a law for the regulation of public deposits in State banks. He repeated his request in December, 1835. But no action was taken by Congress until June 23, 1836. Among other things laid down in the act which they then passed was the provision that any bank employed as a depository should credit as specie all sums deposited to the credit of the United States, and that no bank should be selected as a depository which did not redeem its notes in specie or which issued any note of a denomination less than five dollars. This provision meant that many of the deposit banks would have to curtail their paper issues which had been greatly enlarged to meet the demands of

the speculators. This they immediately attempted to do, but the possibility of pursuing a rational and sane method in the process was precluded by another provision in the deposit act. This other provision called for the distribution of the surplus revenues of the national government among the various States. The joint effects of these two provisions will be indicated at the end of the following paragraph.

In 1835 the national government was free from all debt, and was piling up a surplus in the treasury. This was due to the large income the government was then deriving from the high customs duties and from the sale of public lands, as is
2
indicated in the following tables:

YEAR	CUSTOMS	PUBLIC LANDS	MISCEL.	TOTAL
1834	\$16,214,000	\$4,857,000	\$720,000	\$21,791,000
1835	19,391,000	14,757,000	1,282,000	35,430,000
1836	23,409,000	24,877,000	2,540,000	50,826,000

YEAR	TOTAL INCOME	EXPENDITURES	SURPLUS
1834	\$21,791,000	\$18,627,000	\$3,164,000
1835	35,430,000	17,573,000	17,857,000
1836	50,826,000	30,868,000	19,958,000

The possibility of a surplus had been foreseen as early as 1805 by Jefferson. In his inaugural address he suggested a constitutional amendment authorizing its use for the promotion of arts, education, and internal improvements. But the War of 1812 and the panic which followed the war halted the creation of a surplus until 1835. The question of its distribution was, however,

2. Dewey, D. R., Financial History of the United States, (Longmans, Green and Co., N.Y., 1931), p. 246. - The causes for the large increase in expenditures indicated for 1836 are given in Chapter II, pp. 44, 45.

resumed in 1819, and the subject continued to be discussed until 1836, the year in which the bill ordering its distribution was passed. Jackson was in favor of distribution, but the bill as passed by Congress did not completely satisfy him. However, he signed it and the bill became a law in June, 1836. According to the provisions of the bill, \$5,000,000 of the money in the national treasury on January 1, 1837, was to be reserved for the use of the central government and the balance was to be distributed among the various States in proportion to their respective representation in the Senate and the House. Within a very short time after the bill became a law, an order was issued by the treasury transferring the public funds from the State banks which had been acting as depositories to certain strategic points in order to facilitate its distribution among the various States. This was a necessary move on the part of the treasury, but it transferred specie from one section to another by an unnatural process wherein millions of dollars were withdrawn from active circulation and freighted about the country like some mere commercial commodity. The result was that many sections of the country were financially crippled, and the State banks which had been acting as depositories for the public funds were compelled to unduly contract their paper issues in order to comply with that part of the deposit act which required them to be ready to redeem their notes in specie. As a consequence a period of unnatural and forced contraction was set in motion throughout the country, and this at a time when the country was in the midst of a feverish period of speculation.

The speculative fever had manifested itself in commercial and industrial expansion, boomer cotton crops, public land sales, real estate booms, and internal improvements. It was the result of many factors. Among the most important may be listed: The lenient land policy adopted by the national government in 1820; the successful completion of New York State's system of canals; the desire of other States to duplicate New York's achievement; the increased demand for cotton and the possibility of a profitable cultivation of the short-staple cotton, peculiar to the back States of the south, after Whitney's invention of the cotton gin; and to the large amount of foreign and domestic capital left free for investment when the United States began the rapid retirement of its national debt. But the chief factor was the American tendency to make two blades of grass grow where only one had grown before. It brought on the deceiving appearances of wealth. But the only one who profited was an occasional speculator. No real or solid wealth was added to the country; nor was the lot of the farmer, laborer, artisan, or commercial or industrial enterpriser improved. What it really did was to place the American system upon the delicate balance of the speculator's ability to sustain the confidence of the people over an indefinite period. Naturally, but a slight shock was needed to weaken that balance. The shock came on July 11, 1836, in the form of the Specie Circular. Its declared purpose was to protect the United States Treasury, to discourage the further expansion of bank issues and bank credit, and end the speculation in public lands.

Speculation in Public lands reached its highest point in the years 1835 and 1836. The cash receipts during those two years amounted, in round numbers, to \$41,000,000 - \$16,000,000 for 1835 and \$25,000,000 for 1836. The enormity of this sum becomes more apparent when it is contrasted with the returns for 1834, which amounted to approximately \$6,000,000; and with the returns from the year 1796 to the end of the year 1834, which amounted to approximately \$52,000,000. Unfortunately, most of the money which was turned into the treasury during the boom years of 1835 and 1836 was in the form of paper currency of banks which had been organized for purely speculative purposes, and which was not backed up by the proper amount of specie, and, in many cases, by no specie at all. At the beginning of the speculative period these bad banking practices had been confined to those regions wherein public lands were offered for sale, but gradually the evil spread until the entire country was flooded with overissues of paper money. Eastern bankers sent their representatives into the West loaded down with paper money for the purpose of buying land in advance of the pioneers and for the purpose of building paper cities which were used as a magnet to draw new settlers to the West. Western men organized new banks to offset the influx of eastern capital, and their schemes and methods fell little short of highway robbery. The vicious practices continued until, as Jackson pointed out, "The receipts from the sale of the public lands were nothing more than credits on a bank. The banks let out their notes to the speculators, they were paid into the receivers, and immediately returned to the banks to be sent out again and again, being merely instruments to transfer to the speculator the most valuable public lands. Indeed, each speculation furnished

means for another."³ From this quotation of Jackson's it is quite clear that the speculators were buying land with almost no money, and that all the government was getting was the promise of some bank to pay. Hence, there was some justification for the issuance of the Specie Circular; and public men of both parties and of all sections of the country supported Jackson and his Secretary of the Treasury in the position they had taken with regard to payments for public lands. The desired effect was achieved: i.e., speculation in public lands ceased. But, unfortunately, it was accompanied by another effect which was most emphatically undesired; i.e., the people began to lose confidence in the banking institutions of the country.

Thus far we have listed six factors, each one of which had a grievous effect upon the then delicately balanced credit system of the country: viz., the refusal to recharter the United States Bank and the transfer of the deposits; the deposit act; the order for the distribution of the surplus revenue; the Specie Circular; and the incipient loss of confidence in the banking institutions of the country. Just as the immediate effects of these factors were making themselves felt in the country, English creditors found it necessary to call in their American loans. The result was disastrous.

During the early 1830's English capitalists had loaned vast sums of money to States, individuals, and corporations in the United States for the purpose of financing speculative ventures.

3. Richardson, J.D., Messages and Papers of the Presidents, (10 vols., Washington, 1896-1899; 20 vols., N. Y., 1924), II, 1468.

The reasons for their readiness to make these loans are to be found in the liberal rates of interest prevailing in the United States; in the prevailing usury laws of European countries; in the unsettled conditions of the countries on the continent; and in the rapidity with which the United States was paying off the national debt. Many of these loans were made in the form of specie shipments to this country from abroad, but still larger loans were made in the form of commercial balances; i. e., the English merchants instead of demanding payment for the excess of imports over exports allowed the money to remain in this country for investment in their name. The vast amount of money involved in these transactions will probably never be known. Various figures have been given by many writers. However, it is safe to say that it was well above \$200,000,000. The money thus borrowed was used for the financing of internal improvements; the enlargement of cotton plantations; and, in some cases, for the purpose of financing new banks.

In July, 1836, a sudden check was given to this supply of capital by the Bank of England, which was beginning to take alarm at the number of unredeemed bills of exchange in its vaults, and at the low state of its gold reserves. To remedy these conditions it began to contract its credits. This contraction began on July 1st, eight days after the United States Government had issued the deposit act and the order for the distribution of the surplus revenue, and ten days before the Secretary of the Treasury had issued the Specie Circular. Just what would have happened had not

some other untoward events occurred can not be told. But it so happened that the rapid fall of prices in England consequent upon the contraction of credit by the Bank of England embarrassed some Irish and some English banks. In the autumn of 1836, the Bank of England was appealed to and it offered to help them only on the condition that they would go into liquidation. This liquidation, in its turn, brought about the ruin of three large houses - Wilkes, Wild, and Wiggin - which were deeply involved in financial transactions with America. The Bank of England then became suspicious of the financial transactions of other houses dealing with America and began to press them to meet their obligations. They, in turn, found it necessary to call in their American loans. The heaviest demands fell upon the South and especially upon the banks and commercial houses in New Orleans. They were unable to meet their obligations. Cotton on which they had advanced fourteen cents a pound was now selling for less than ten cents, and much of the cotton they had already shipped to London could not be sold. Within a week, in early March, 1837, three of the largest houses in the city failed. The result was disastrous. The panic ball had started rolling.

Meanwhile, the pressure was being felt in New York. There had been a number of commercial failures, but the banks were strong and they might have been able to withstand the pressure had it not been for the failure of Josephs Brothers and Company. This banking house had been acting as the New York agents for the Rothschilds. Their transactions in sterling exchange and bill discounting for the Rothschilds had enabled them to pile up enormous profits.

With these profits they plunged into cotton speculation and lent considerable sums of money to the cotton factors in New Orleans. In December, 1835, their office building was destroyed by the great fire. They decided to replace the old building with a magnificent granite structure. Just as the new building was nearing completion, it began to settle, then cracked, and on March 14, 1837, suddenly collapsed. On March 17th, three days after the collapse of the new building, a packet from New Orleans arrived in New York. Instead of bringing the specie which Josephs Brothers had been expecting, it brought news of the commercial disaster which had overtaken the South. As a consequence Josephs Brothers were compelled to stop all specie payments. The banks of the city offered to help them to the extent of one-half million dollars. They were informed that at least one million more was needed. Before the night ended other banks and many merchants who had been expecting specie from New Orleans were either forced to close, or to suspend operations, or to ask for time. Their drafts and notes had been returned unpaid.

Failures, suspensions, and requests for time continued throughout the rest of March. In April the bankers of New York and Philadelphia shipped an enormous amount of bonds and bills of exchange to London in an effort to bolster up American credit and to put a stop to foreign demands for specie payments. For a time it appeared that their plan would work. But rumors that specie was being shipped abroad; that frauds had been detected in the operations of the Mechanics and of the Dry Dock Banks of New York City; and that three of the largest houses in New Orleans had

stopped payment, completely unnerved the people of New York City and then of the entire country. They began to appear at the banks demanding that their paper money be redeemed in specie. The situation became more alarming each day, and by the middle of May the panic was in full bloom.

The disaster had a tremendous effect upon every phase of American life. But before undertaking a description of some of those effects, it might be well to classify the causes and to indicate their general effects reserving our discussion of the particular effects to the main body of our narrative.

THE REAL CAUSE was the wide-spread rage for speculation. Its effect was to place the credit system of the entire country upon the slender balance point of the speculator's ability to sustain the confidence of the country over an indefinite period.

THE PRECIPITATING CAUSE was the joint effect of:

The act of June 23, 1836, regulating the deposit of the public funds. Its effect was to curtail the supply of paper money in a time of great demand.

The order for the distribution of the surplus revenue. Its effect was to withdraw millions of dollars of specie from circulation at a time when the business and monetary conditions of the country demanded that large amounts of specie be available for almost instant use.

The Specie Circular. Its effect was to render practically useless millions of dollars of paper money, and to arouse a strong suspicion in the minds of the people that all was not well with the banks.

The demand of the English creditors that the American debtors pay their loans. Its direct effect was the destruction of the great credit pyramid which had been built upon confidence in the future in the large commercial centers, such as New York, Philadelphia, and New Orleans. Its indirect effect was the destruction of public confidence in American banks, and the consequent run upon the banks.

THE CONTRIBUTORY CAUSES were:

The destruction of the United States Bank. This act deranged the foreign and domestic exchanges and destroyed the only real effective check upon irresponsible and unscrupulous State banks, excessive issues of paper money, and rash speculative ventures.

Other contributory causes were crop failures, fires, floods, and luxurious living in America. The effects of these causes were underestimated at the time. But the millions of dollars involved represented a pure loss which the country, inasmuch as it became involved in a panic, was never able to replace.

4. For comments on the speculative fever of the time confer: McGrane, R. G., The Panic of 1837, (University of Chicago Press, 1924), pp. 36, 42; Hart, A. B., Slavery and Abolition, (Harper & Bros., N. Y., 1906), pp. 300-302; MacDonald, Wm., Jacksonian Democracy, (Harper & Bros., N. Y., 1906), p. 285; Schouler, J., History of the United States of America, under the Constitution, (Dodd, Mead & Co., N. Y., vols. 1-5, 1880-91, vol. 6, 1899, vol. 7, 1913), III, 517; IV, 6-9, 257; Von Holst, H., The Constitutional and Political History of the United States, translated from the German by J. J. Lalor, (Callaghan and Co., Chicago, 1881, 8 vols.), II, 194; McMaster, J.B., A History of the People of the United States, from the Revolution to the Civil War, (D. Appleton & Co., N.Y., 7 vols.), VI, 341, 524; Tuckerman, B. (ed.), Diary of Philip Hone, (Dodd, Mead & Co., N.Y. 1910), entry for Oct. 14, 1835; Van Metre, Economic History of the United States, (Holt & Co., 1921), pp. 312, 317; Shannon, F.A., Economic History of the People of the United States, (Macmillan Co., N.Y., 1934), p. 352; Faulkner, H.U., (Harper & Bros., N.Y., 1935), p. 233; Scroggs, W. O., A Century of Banking Progress, (Doubleday, Page & Co., 1924), p. 79; Paxson, F. L., History of the American Frontier, 1763-1893, (Houghton Mifflin Co., 1924), pp. 314, 318, 320.

For speculation in Commerce and Industry, confer: McGrane, Ibid., pp.

7-18, 204, 205; McMaster, Ibid., VI, 337 ff.;

For speculation in cotton, confer: Dewey, D. R., Financial History of the United States, (Longmans Green & Co., N. Y., 1928), pp. 226-227; Juglar, C., A Brief History of Panics and Their Periodical Occurrence in the United States, translated from the French by De Courcy W. Thom., (G.P. Putman's Sons, N. Y., 1916), pp. 68-73; '37 and '57, by members of the New York Press, (J. C. Haney, N. Y., 1857), pp. 22-23; McGrane, Ibid., pp. 68-73; Von Holst, Ibid., II, 185.

For speculation in public lands, confer: Hibbard, B. H., A History of the Public Land Policies, (Macmillan Co., N. Y., 1924), pp. 178-183, 213; Commons, J. R. et al., History of Labor in the United States, (Macmillan Co., N. Y., 1926, 2 vols.), I, 349; McGrane, Ibid., pp. 5, 6, 18, 29, 43-70; MacDonald, Ibid., pp. 92-95, 276-292, 325; Dewey, Ibid., pp. 216-217, 225; McMaster, Ibid., VI, 323-326, 336; Schouler, Ibid., IV, 259; Von Holst, Ibid., II, 178-183, 213; Turner, F. J., The United States, 1830-1850, (Holt & Co., N. Y., 1935), p. 454; Van Metre, Ibid., p. 313; Paxson, Ibid., p. 310.

For speculation in internal improvements, confer: McGrane, Ibid., pp. 9, 10-13, 16, 17, 19, 21, 22, 24, 30-35, 70, 103, 112-114, 128-130; Schouler, Ibid., III, 55, 247, 295, 337, 356, 382, 409, 445, 480; IV, 155, 183, 259; Dewey, Ibid., pp. 212, 216; MacDonald, Ibid., pp. 12, 35, 38, 45, 81, 134-148, 264, 273, 277-281; McMaster, Ibid., pp. 34-37; 61-62, 341-350, 527-532; Hart, Ibid., pp. 34-35; Van Metre, Ibid., pp. 226, 238, 263, 313; Paxson, Ibid., pp. 312 ff.; Poor, H. V., Sketch of the Rise and Progress of Internal Improvements, (N. Y., 1881).

For the Act of June 23, 1836, confer: MacDonald, Ibid., p. 238; Dewey, Ibid., p. 209; McMaster, Ibid., VI, 321; Von Holst, Ibid., II, 199; Van Metre, Ibid., p. 309.

For the distribution of the surplus revenue, confer: Bourne, E. G., Distribution of the Surplus Revenue of 1837, (Putnam's Sons, N. Y., 1885), passim; Dewey, Ibid., pp. 217-223; MacDonald, Ibid., pp. 91, 138, 143, 254, 255, 277; McMaster, Ibid., VI, 307-311, 318-323, 335, 350-358, 378, 415; Schouler, Ibid., III, 37, 109, 147, 245; IV, 66, 152, 155, 230, 286, 328, 407, 410, 416; Hart, Ibid., pp. 299-308; McGrane, Ibid., pp. 6, 92, 93, 94; Von Holst, Ibid., II, 186-188.

For the Specie Circular, confer: McGrane, Ibid., pp. 6, 42, 61-69, 89, 160, 192, 200, 229; Dewey, Ibid., pp. 227-229; McMaster, Ibid., VI, 326, 377-378, 389; MacDonald, Ibid., pp. 286-289; Von Holst, Ibid., II, 189-194; Schouler, Ibid., IV, 261, 265, 281, 290; Van Metre, Ibid., p. 315.

For British loans and demands upon American borrowers, confer: Shannon, Ibid., p. 352; McGrane, Some Aspects of State Debts in the Forties, in the Amer. Hist. Rev., XXXVIII (July, 1933), p. 647; McGrane, The Panic, pp. 41, 63, 97; Von Holst, Ibid., II, 183, 193; McMaster, Ibid., VI, 339, 393-400, 403; Schouler, Ibid., IV, 8, 279; Richardson, Ibid., IV, 204; Amer. Almanac (1838), p. 329; Dewey, Ibid., pp. 226-230; Hart, Ibid., pp. 301-303; Collman, C. A., Our Mysterious Panics, 1830-1930, pp. 55-61; Tuckerman, Ibid., entries for March 20 and May 2, 1837; Van Metre, Ibid., pp. 313, 315, 316; Scroggs, Ibid., 79.

For the destruction of the United States Bank, confer: Catterall, R. C. H., Second Bank of the United States, (Univ. of Chicago Press, 1903), passim;

Babcock, K. C., The Rise of American Nationality, (Harper and Bros., N. Y., 1906), pp. 6, 10, 156, 216-231, 294-296; MacDonalld, Ibid., pp. 112-134, 218-240, 270, 285-287; Dewey, Ibid., pp. 144-161, 198-210, 239; McMaster, Ibid., VI, 1-11, 57, 131-135, 139, 146, 183-212, 339-340, 406, 409; Schouler, Ibid., III, 109-121, 240, 245, 468, 475; IV, 44-54, 68-72, 132-152, 156-175, 181-183, 276-281, 293, 347, 376-383, 404, 416; Juglar, Ibid., pp. 50 ff.; Von Holst, Ibid., II, 11, 31-75, 174; Hart, Ibid., pp. 64, 296-308; McGrane, Ibid., pp. 70-91; White, H., Money and Banking, (Ginn & Co., 1914), pp. 267-291; Van Metre, Ibid., 306; Scroggs, Ibid., pp. 60 ff.; Faulkner, Ibid., p. 229.

For the bad banking practices of the State banks, confer footnotes 7-13, Chap. II, pp. 3-6.

For crop failures, confer: McGrane, Ibid., pp. 35, 41, 93; Dewey, Ibid., pp. 226, 230; Commons, Ibid., I, 455; McMaster, Ibid., VI, 390, 397; Von Holst, Ibid., II, 212; American Almanac (1837), pp. 318, 319; Van Metre, Ibid., p. 314.

For fires and floods, confer: McGrane, Ibid., p. 93; Schouler, Ibid., IV, 25, 263; Collman, Ibid., p. 57; '37 and '57, p. 12; Tuckerman, Ibid., entries for Dec. 17, 18, 19, 1835; Jan. 1, 1836; American Almanac (1838), pp. 322, 323, 324, 325, 328, 329, 331; (1839), pp. 307, 310, 311; Van Metre, Ibid., p. 315.

For luxurious living, confer: McMaster, Ibid., VI, 40, 221, 524; Richardson, Ibid., III, 325.

Chapter II

ECONOMIC DISASTER

The word panic denotes a time of fear, a time of acute apprehension for the safety of one's self or of one's possessions. It is formed from the name of Pan, the Greek god of shepherds, who was said to have had the power to excite sudden and irrational fear. In history, the word is used loosely to designate financial, commercial, and industrial crises. We say loosely, because strictly speaking and in accordance with modern economic parlance, a crisis is that part of the business cycle wherein contraction and liquidation sets in. When the process is unduly rapid and proceeds along irrational lines it is called a panic, and if reference is had to the period of stagnation which usually follows, it is called a depression. In this paper the word panic will be taken as inclusive of all three; i. e., it will be used loosely.

It should, also, be noted that the terms "financial," "commercial," and "industrial" which were used above are not intended to designate different classes of panics but, rather, different degrees of intensity. If the panic is restricted to the stock market, it is called a financial panic and it does not necessarily involve a disturbance in industrial or commercial centers nor does it necessarily imply any reaction in the social and political orders. If it affects the trading classes it is called a commercial panic and it implies some disturbance in the money market and some reactions in social and political circles. If it affects producers in all lines of economic endeavor, it is

called an industrial panic and it implies reactions which are¹ more or less serious in every phase of a nation's life.

The Panic of 1837 was an industrial panic; i.e., it affected all lines of economic endeavor and serious repercussions were felt in every phase of American life. Warnings of its approach had been sounded in some of the newspapers, in public meetings,² and by private individuals. But these warnings counted for naught in the face of renewed calls to confidence in the future sounded by commercial journals and by speculators.³ Moreover, the nation was young and blindly optimistic. It was the "hot air period" of its history; "go ahead" and "get rich quick" were its mottoes and it rushed headlong into a morass of economic and social misery in which it struggled for seven years in an effort to extricate itself.⁴⁵

The immediate effect of the panic was the collapse of the

1. Jones, E. D., Economic Crises, (Macmillan Co., N. Y., 1900), p. 1 ff.; Mitchell, W. D., Business Cycles: The Problem and Its Setting, (National Bureau of Economic Research, Inc., 1927), passim.

2. Niles Register, May 9, 1835; Apr. 23, May 14, 1836; Apr. 8, 1837; Tuckerman, Ibid., entry for Apr. 25, 1837; McMaster, Ibid., VI, 335 ff.; McGrane, Ibid., p. 17; Reznick, S., "The Social History of An American Depression," in The American Historical Review, XL, July, 1935, p. 663.

3. New York Journal of Commerce, Apr. 8, 1837; McMaster, Ibid., VI, 336; Reznick, Ibid., p. 663.

4. Richardson, Ibid., III, 147; Turner, Ibid., (citing the River Times, Aug. 19, 1850; Oct. 20, 1851; Milwaukee Sentinel, June 27, 1837; Wisconsin Courier, Aug. 31, 1842), p. 349; Schouler, Ibid., III, 514-517; IV, 7-9; Faulkner, Ibid., (citing Mitchell, D. W., Ten Years in the United States [1862], p. 325; Ford, Thomas, History of Illinois [1854], p. 181), pp. 242 ff, 376; Van Metre, Ibid., p. 314; Von Holst, Ibid., II, 173, 178.

5. Tuckerman, Ibid., entries for Nov. 13, 1838; Jan. 1, Oct. 9, 10, 1839; Jan. 1, Feb. 4-8; Jan. 1, 1843; Jan. 1, 1844; Jan. 1, 1845; Van Metre, Ibid., p. 320; Paxson, Ibid., p. 323; Faulkner, Ibid., (showing a graph prepared by Colonel Leonard P. Ayres of the Cleveland Trust Company), pp. 234, 752; Commons, Ibid., I, 455; 487; McGrane, Ibid., pp. 2, 103.

credit system.⁶ In modern times this system has been based chiefly on bank credit rather than on ordinary book and personal credit. Many advantages have accrued to the modern world as a result of the use of this type of credit. But the efficiency and well-being of the entire system which has been built up around it, depends upon good banking practices and upon the confidence of the people in the ability of the banks to redeem their instruments of credit.

In the early years of the nineteenth century, bank credit took the form of bank notes and deposits. Both forms of credit were extended to the borrower in exchange for his promissory note. When the bank-note form of credit was granted, the recipient put the notes, which were given him in exchange for his promissory note, into general circulation where they served as a medium of exchange, or, as the saying goes, as "paper money." When the second form of bank credit was granted, the borrower was accredited with a certain sum of money on the books of the bank. He then utilized his newly acquired credit by means of checks and drafts drawn upon the bank.⁷

Where the State insisted upon the observance of good banking practices, American banks were sound and their instruments of credit most serviceable. Unhappily, during the period under discussion, this could be said of only one State.⁸ In the other

6. For details and references cf. *infra*, pp. 22 ff.

7. Paxson, *Ibid.*, (citing W.M. Gouge, *The Curse of Paper Money*, [1833]), pp. 228-234; Van Metre, *Ibid.*, p. 305; Scroggs, *Ibid.*, p. 4; Trimble, Wm., *New York Democracy and the Locofocos in The American Historical Review*, XXIV, Apr., 1919, p. 403.

8. This State was Massachusetts. - Cf. Scroggs, *Ibid.*, pp. 54-56, 138-139; for a description of the "Suffolk System" which controlled banking in Mass.

states, the laxness of law enforcing agencies coupled with a desire to profit by the speculative opportunities of the age, prompted many bankers to forego good banking practices and to indulge in a most reckless form of credit inflation. Some efforts were made by isolated State bank examiners and other conservative forces to halt the movement. But they were powerless in the face of the mad desire for wealth and the firm conviction of inexperienced financiers that a rapid expansion of the credit system was "a great panacea for every ill that could befall the people of the young nation."

The period of rapid expansion lasted for eight years, 1829 - 1837. During that time the number of banks increased from 329 to 788 (56%); the banking capital from \$110,200,000 to \$290,800,000 (164%); the bank-note issues from \$48,200,000 to \$149,200,000 (57%); the loans from \$137,000,000 to \$525,100,000 (62%). These figures seem to indicate that the credit system was in a thriving condition. But, unfortunately, there was another side to the

9. Shannon, Ibid., p. 351; Schouler, Ibid., IV, 279; Van Metre, Ibid., pp. 306, 312; Scroggs, Ibid., pp. 33 ff.; MacDonald, Ibid., p. 286; McGrane, Ibid., p. 16.

10. Niles Register as quoted by McGrane, Ibid., p. 16. - Cf., also, Paxson, Ibid., p. 233.

11. Dewey, Ibid., p. 225; Shannon, Ibid., pp. 345, 350; Van Metre, Ibid., p. 312; Richardson, Ibid., IV, 204; Von Holst, Ibid., (citing Raguet, Condé Currency and Banking as given in Sumner, W. G., A History of American Currency p. 123; a letter of J. Hamilton to N. Biddle; Niles Register, LII, 313; Statesman's Manual, II, 1268), II, 175-176; Scroggs, Ibid., p. 76; McGrane, Ibid., (citing Hunt's Merchants' Magazine, II, 159, 160; III, 458; Exec. Doc., Twenty-fifth Cong., Third Sess., Vol. I, Sec. of Treasury Report, 1838; Miss. Senate Journal [1839], pp. 26, 27), pp. 13-14, 25; Commons, Ibid., (citing Knox, J. J., History of Banking in the United States, p. 83), I, 348, 454; McMaster, Ibid., (citing a Report of the Committee of Ways and Means, and a Letter from the Secretary of the Treasury dated Jan. 4, 1837), VI, 339.

picture. Many of the new banks had been organized for purely speculative purposes; comparatively little of the capital required by law had been actually paid in; no compensating increase had been made in specie reserves; many of the loans were protected by collateral of fictitious or doubtful value; and an overly large amount of the loans were tied up in slow moving securities.¹²

These acts were essentially bad banking practices. By indulging in such practices, these inexperienced financiers had seriously weakened the national credit system. The principal weakness of the entire system, as McMaster observes, lay in the fact that they had reared "an immense superstructure of paper [money] resting on a metallic base too narrow to support it, and ---- sustained not by its own weight but by public confidence."

12. Von Holst, *Ibid.*, II, 174-175, 182, 184, 193; Shannon, *Ibid.*, p. 350; Dewey, *Ibid.*, pp. 155, 225; Van Metre, *Ibid.*, pp. 312, 314; Paxson, *Ibid.*, pp. 229, 234, 315; Scroggs, *Ibid.*, pp. 41 ff., 103 ff., 128 ff.; McGrane, *Ibid.*, (citing Dewey, *State Banking before the Civil War*, pp. 14, 16; *Vermont Senate Journal* [1837], App., p. 119; [1838], p. 9; [1840], pp. xvii, xviii, xix and App., pp. 27, 28; *Michigan Senate Journal* [1839], pp. 191-193; *Vermont House Journal* [1837], p. 14 and App., pp. 215, 216; *Arkansas House Journal* [1843], pp. 61-63 and App. pp. 2, 3; *New Jersey Assembly* 1837, pp. 146-149, [1843], pp. 16, 17; *Delaware Senate Journal* [1841], p. 5; *Senate Doc.*, Twenty-fifth Cong., Second Sess., Vol. II, Doc. 69, pp. 1-3; Vol. VI, No. 471, p. 1006; *Exec. Doc.*, Twenty-fifth Cong., Second Sess., Vol. II, Doc., 69, pp. 1-3; Vol. IV, Doc. 79, pp. 177-178, 190-198; Vol. VI, Doc. 471, p. 482; *Pennsylvania House Journal* [1837], Vol. II, No. 4, pp. 11, 12; Sumner, *A History of Banking in the United States in a History of Banking in All the Leading Nations*, I, 236, 237; Lincoln, *Messages of the Governors of N.Y.*, III, 475; Knox, *A History of Banking in the United States*, pp. 677, 678; Pease, *The Frontier State, 1818-1848*, pp. 309, 310), pp. 14-16, 37-39, 107, 205; McMaster, *Ibid.*, VI, 406. --- There are two facts concerning the banking practices of the period which should be noted:- (a) A full report of the bad banking practices of the period is rendered practically impossible by the mystery and concealment which surrounded the activities of State bankers. - Cf. Dewey, *Ibid.*, p. 153; McGrane, *Ibid.*, pp. 15, 25, 118. (b) The tendency toward credit inflation seems to have been encouraged, at least implicitly, by some prominent officials in the national administration. Cf. Scroggs, *Ibid.*, (quoting from the Treasury Circular of Sept. 26, 1833), p. 73; Von Holst, *Ibid.*, (quoting from the same Circular and from a speech made by Daniel Webster in 1836), II, 174-175.

Anything that would destroy that confidence would likewise bring
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 ruin to the national credit and banking system.

A run upon the banks was the first outward sign that the people of the young nation had lost confidence in the banks and become panic stricken. Alarmed by the money stringency; by the numerous failures in the great commercial centers; by reports that the country was being drained of its specie by the English; and convinced by the Specie Circular that the paper money which they held would soon become worthless, they appeared at the banks and demanded that it be redeemed in specie. Within twenty-four hours
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\$625,000.00 was withdrawn from the vaults of the banks in New York City alone. Unfortunately, the principal deposit banks of the city had been so badly weakened by the demands which had been put on them by the government for the distribution of the surplus revenues that they were unable to withstand the pressure, and hence were compelled to suspend all specie payments. Their action had been anticipated by the banks in Natchez on May 4th, and by the Montgomery banks on May 9th; and it was followed by suspension in Mobile, Albany, Hartford, New Haven, Providence, Philadelphia,

13. McMaster, Ibid., VI, 213; Schouler, Ibid., IV, 279; Scroggs, Ibid., pp. 48 ff. ---- Scroggs gives some very good examples of the inflationary tactics employed by the bankers of the period.

14. McGrane, Ibid., (citing the Congression Globe, Twenty-fifth Cong., First Sess., p. 49), p. 63; Shannon, Ibid., p. 352; Van Metre, Ibid., p. 315; Paxson, Ibid., p. 321; Faulkner, Ibid., p. 234; Commons, Ibid., I, 455. ---- In order to appreciate the significance of the people's demand that their paper money be redeemed in specie and its effect upon the banking system, it must be understood that the paper money of 1837 was not, like the paper money of our times, controlled or regulated by the federal government. Each bank controlled or regulated its own issues and was supposed to have enough specie on hand, or at least in its control, to redeem its paper issues. When a bank expanded its issues beyond its reserves for redemption, it was declared insolvent.

Baltimore, Boston, Salem, and Lowell on May 11th; in New Orleans on May 12th; in Washington on May 15th; in Charleston and Cincinnati on May 17th; in Louisville, Savannah, and Augusta on May 19th.

These cities were the chief commercial and industrial towns of the country. When their banks failed to meet the test the very backbone of the national credit system was snapped as it were, and the effect upon the economic life of the nation was disastrous. The specie which had been withdrawn from the banks was not put back into circulation; it was hoarded, business practically came to a standstill, and by the end of May every bank in the nation had suspended specie payments.

In August, 1837, the bankers of New York City held a general meeting for the purpose of discussing ways and means of breaking the panic. They decided that the most efficacious way to restore general confidence would be to resume specie payments as quickly as possible. To that end they issued a circular calling for a national convention of bankers to meet in New York City in October. Philadelphia bankers, who were dominated by Nicholas Biddle, the leading banker in the country, refused to send any

15. American Almanac (1838), p. 330; Collman, Ibid., p. 63; McGrane, Ibid., pp. 93-97; Dewey, Ibid., pp. 229-230; Von Holst, Ibid., II, 196; Scroggs, Ibid., p. 80; Commons, Ibid., I, 455; Schouler, Ibid., (citing the North American Review, Jan. 1844), IV, 279; McMaster, Ibid., (citing the Pennsylvania Inquirer, May 11, 12, 20, 1837 and giving the dates of suspension in the chief commercial cities), VI, 399-400, 403.

16. Collman, Ibid., p. 61; McGrane, Ibid., (citing the Pennsylvania House Journal, II [1837], 10-16), pp. 63, 99, 110; Scroggs, Ibid., p. 81.

17. Faulkner, Ibid., p. 234; Van Metre, Ibid., p. 317; McGrane, Ibid., p. 177; Von Holst, Ibid., II, 196.

representatives; but a second invitation sent on October 21st was accepted. The convention assembled on November 27th. When the roll was called, it was discovered that representatives from the principal banks of nineteen States were present. The convention remained in session until December the 1st and then adjourned until the second Wednesday in April of 1838. Unfortunately, the Philadelphia bankers had gained control of the meetings and had forced a decision that, in view of the unfavorable circumstances then prevailing, it would be unwise to set a definite date for a resumption of specie payments. This decision was a bitter disappointment to the country and especially so to the New York bankers. Many felt that Biddle, the leader of the Philadelphia bankers, was adopting dilatory tactics as a means of forcing the government to withdraw the Specie Circular and to restore his bank to its old position, and, incidentally, as a means of destroying the growing power of the New York banks. Many appeals were sent to him to retreat from the position he had taken. But he refused to take any action until the government had shown its hand. The convention reassembled on the appointed day. Once more the Philadelphia bankers gained control. They forced through a resolution which called for a resumption of specie payments on the first Monday in January, 1839. This late date was unsatisfactory to the bankers of New York State. According to a relief law which had been passed by the New York Legislature a few days after the outbreak of the panic, they were obliged to resume specie payments by May 16, 1838 or else to forfeit their

charters. They, therefore, held a convention of their own and
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 determined to resume on May 10th.

Some of the other States were also dissatisfied with the lateness of the date set for resumption. But no action was taken until July 13, 1838. On that date the Governor of Pennsylvania ordered the banks of his State to resume payments by August 13th. Moved by this proclamation, the Philadelphia bankers issued an invitation to bankers of various States to attend a convention which was to be convened in their city on July 23rd. Representatives from Massachusetts, Connecticut, Rhode Island, Pennsylvania, Delaware, Maryland, Virginia, Kentucky, and Missouri responded to the invitation, and after some talk it was
 20
 agreed to resume on the date set by the Pennsylvania Governor.

19. Niles Register, Sept. 2, 1837; Feb. 10, Apr. 28, 1838; American Almanac (1838), pp. 306, 309; McMaster, *Ibid.*, VI, 418-420; Von Holst, *Ibid.*, II, 212; Scroggs, *Ibid.*, p. 86; Schouler, *Ibid.*, pp. 292-293; McGrane, *Ibid.*, (quoting the National Gazette, May 16, 1837; March 3, Apr. 7, 10, 11, 17; May 31, 1838; the New York Journal of Commerce, Dec. 6, 1837; Apr. 17, 1838; June 6, 1838; the Washington Globe, Apr. 24, 1838; from letters contained in the Biddle Papers, 1830-44 and Biddle President's Letter Books, 1830-40, viz., Biddle to Poinsett, May 7, 1837; Biddle to Rathbone, July, 14, 1837; Biddle to Roberts, July 31, Aug. 9, Sept. 15, 1837; Humphreys to Biddle, Nov. 23, 1837; Biddle to Rathbone, July 11, 1837; to Abbott Lawrence, Aug. 30, 1837; to James Hamilton, Aug. 30, 1837; to Davis, Sept. 7, 1837; Eyre to Biddle, Nov. 28, 29, 1837; Worth to Biddle, Jan. 7, 1838; Biddle to Worth, Jan. 20, 1838; to Fraley, Mar. 4, 8, 21, 1838; to Gamble, Jan. 31, 1838; Sergeant to Biddle, Apr. 9, 1838; Webster to Biddle, Apr. 9, 1838; Biddle to Ogden, Apr. 4, 1838; Ogden to Biddle, Apr. 10, 1838; Blatchford to Biddle, Mar. 26, 27, 1838; Colt to Biddle, Apr. 16, 1838; from letters contained in the Martin Van Buren Papers, 1833-40, viz., Galpin to Van Buren, May 11, 1837; Throop to Van Buren, Nov. 29, 30, 1837; Edmonds to Van Buren, Dec. 2, 1837; Throop to Van Buren, Apr. 9, 1838; Parker to Van Buren, Apr. 10, 1838; Flagg to Van Buren, Apr. 12, 1838; Macaulay to Van Buren, Apr. 20, 1838; from Adams, J. Q., *Memoirs*, [Phila., 1876, 12 vols], pp. 184, 186, 197; from the Congressional Globe, Twenty-fifth Cong., Second Session, pp. 288, 297, 307; from the Laws of New York, [1837], pp. 515-517; from the House of Commons Report of Committee on Banks of Issue [1840], pp. 117, 155), pp. 69, 108, 179-200, 231.

20. McGrane, *Ibid.*, (quoting the National Gazette, July, 13, 24, 25, 1838), p. 201; McMaster, *Ibid.*, VI, 419; Hart, *Ibid.*, p. 305; Schouler, *Ibid.*, IV, 292; Scroggs, *Ibid.*, 86; Von Holst, *Ibid.*, II, 212.

This action had the good effect of stimulating confidence in many other commercial centers and within five months specie payments were resumed by the banks of New Jersey, North Carolina,²¹ South Carolina, Georgia, and Louisiana.

The delayed resumption was without doubt due to the dilatory tactics of Nicholas Biddle and his satellites. Biddle protested that he had the interests of the country at heart but, for good reasons,²² men questioned his sincerity. Writing in 1844, the editor of the North American Review²³ had this comment to make:

The country was then [i.e., the end of 1837] in a condition to resume the payment of specie through its banks. But the United States Bank of Pennsylvania [Biddle's bank], and some other great institutions were not ready. During the years of high prices, they had lent their capital on paper which rested only on the exaggerated and unreal values of the period, and an immediate return to specie payments would have shown that their capital had been very seriously impaired. The United States Bank of Pennsylvania, therefore, at first opposed the resumption of specie payments, and subsequently, when compelled to come into the arrangement, it seems to have adopted the bold measure of attempting to bring back the unnatural state of things which had existed before May, 1837; hoping, that, by means of high prices and unlimited credit, it might be able to withdraw itself from its dangerous position. It entered largely into the purchase of State stocks, speculations in cotton, and other transactions. It was impossible, in the nature of things, that this scheme should succeed, but it had some effect ----.

The "effect" to which the editor was referring was this: men forgot that the terrible reverses of 1837 had been due, in a large measure, to the rage for speculative enterprises. With the

21. McMaster, Ibid., VI, 420; Schouler, Ibid., IV, 293.
 22. McMaster, Ibid., VI, 403-404; Van Metre, Ibid., p. 318; McGrane, Ibid., pp. 177-204.
 23. North American Review, Jan. 1844, pp. 120-121 as quoted by Von Holst, Ibid., II, 213.

resumption of specie payments they once more plunged into rash speculative ventures. Bonds of all sorts, issued by States and various private corporations, were thrown upon the market and²⁴ found ready purchasers; land sales jumped from \$3,730,000.00 in²⁵ 1838 to \$7,361,000.00 in 1839; merchants resumed their²⁶ speculations in European merchandise; and an estimated shortage in the coming cotton crop induced many individuals to speculate²⁷ in that item.

The worst offender in cotton speculation was the United States Bank of Pennsylvania. As early as 1837, Biddle, its president, had established a branch bank and a commission house in London for the purpose of financing and handling cotton²⁸ shipments to England. Under Biddle's skillful guidance, the bank

24. McGrane, Ibid., pp. 102, 204; Von Holst, Ibid., II, 211, 213. - A large percentage of these bonds were purchased by foreign, and especially by English investors. The promptness with which our foreign debt had been paid led them to form, as the editor of the North American Review observed, "a very high opinion of our resources and our honor, and they took the stocks of States as freely as if they had been gold and silver." - Cf. Von Holst, Ibid., II, 213, citing the North American Review, Jan. 1844, p. 121.

25. Dewey, Ibid., p. 246; McMaster, Ibid., VI, 523-524; Hibbard, Ibid., p. 103; Von Holst, Ibid., II, 213; - The thirst for public lands, at this time, was so great even among members of the House of Representatives that John Q. Adams compared it to the thirst of a tiger for blood. (Von Holst, Ibid., citing the Mem. of J.Q. Adams, X, 19). --There is some discrepancy in the figures given by the authorities cited. I have taken the figures given by Dewey.

26. McMaster, Ibid., VI, 524; Von Holst, Ibid., II, 212; Dewey, Ibid., p. 246; - Dewey shows an increase of \$7,000,000.00 in customs receipts for the year 1839, an indication that American merchants were once more importing large quantities of foreign merchandise.

27. McMaster, Ibid., VI, 524; McGrane, Ibid., pp. 204-205.

28. Van Metre, Ibid., p. 318; Von Holst, Ibid., p. 213; McGrane, Ibid., (citing the National Gazette, Apr. 10, 1841; and letters contained in the Biddle Papers, 1830-44 and in Biddle President's Letter Books, 1830-40, viz., Biddle to Roberts, July, 31, Aug. 9, Sept. 15, 1837; Humphreys to Biddle, Nov. 23, 1837; and a newspaper clipping contained in the Biddle Papers, marked Liverpool and dated Dec. 30, 1837), pp. 108, 181-183.

had been able to make enormous profits, and great quantities of specie flowed into its vaults from abroad. But in March, 1839, Biddle resigned his presidency and the direction of the bank's affairs was turned over to men who were not quite so well versed in financial scheming as he had been. Unmindful of unsettled conditions in Europe, they forced the price of cotton up to sixteen cents a pound. The English cotton mills, exasperated, refused to buy it at that price, and the Bank of England was persuaded, so it seems, to either refuse to discount cotton bills or to demand a $5\frac{1}{2}\%$ rate of interest on all bills of exchange and notes. As a result the steady flow of specie from England to the bank ceased and its position became rather precarious.

To further aggravate matters, the crops in England failed that year and the English were forced to buy large quantities of grain from the countries on the continent. The continental countries demanded payment in specie. Within a very short time the Bank of England found it necessary to appeal to Amsterdam, Hamburg, and Paris for aid. Unable to secure a sufficient amount of specie from these centers, the Bank of England then demanded that its American creditors meet their notes. By mid-summer almost every ship that left America was carrying away some specie.

29. Juglar, Ibid., pp. 69, 71, 75; McGrane, Ibid., (citing the National Gazette, Dec. 13, 1838; Apr. 10, 1841; and a letter from the Biddle Papers, viz., Humphreys to Biddle, May 16, 1839), pp. 203-204.

30. McGrane, Ibid., pp. 102, 204.

31. McGrane, Ibid., (citing the Manchester Guardian as quoted in the National Intelligencer, July 29, 1839; the National Intelligencer, Aug. 21, 1839; the National Gazette, July 12, 1839; Oct. 25, 1839), pp. 204-206; McMaster, Ibid., VI, 524; Von Holst, Ibid., II, 215; Commons, Ibid., I, 455.

By September the situation had become most alarming; banks were refusing to discount paper; merchants were failing; and real estate was being sold at a tremendous sacrifice in an effort to raise ready cash. On October 8th, the bankers of New York and Philadelphia met to discuss ways and means of securing relief. A representative from the Board of Trade attended the meeting and urged that they either relieve the money stringency or suspend all specie payments. A motion to suspend specie payments was laid before the meeting but it was rejected on the grounds of inexpediency. However, the very next day, October 9, 1839, the banks of Philadelphia were forced to suspend. Within a week most of the banks in the States of Pennsylvania and Delaware together with those of Baltimore, Georgetown, Washington, Richmond, Portsmouth, Norfolk, Cincinnati, Louisville, and Charleston followed suit. News that the eastern banks, including the "moneyed monster," as the United States Bank of Pennsylvania was called, had suspended specie payments spread rapidly throughout the country and within a comparatively short time nearly all the banks in the South and West followed their example. The banks East and North of Philadelphia, pressed by their communities, continued to pay specie, but for all practical purposes the country was once more panic stricken.

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No effort, to speak of, was made on the part of the banks that had suspended in 1839, to effect resumption until early in

32. McGrane, *Ibid.*, (citing the *National Gazette*, Oct. 25, 1839), pp. 102, 119, 181, 206; McMaster, *Ibid.*, VI, 523-527; Schouler, *Ibid.*, IV, 324-326; Von Holst, *Ibid.*, (citing the *Statesman's Manual*, II, 1236-1237; The *London Banker's Circular* of July 12; and the *North American Review*, Jan., 1844, p. 121), II, 216-218; *Hunt's Merchants' Magazine*, III, 457.

1841. The banks of the South and West either could not or would not resume until resumption had been effected in Philadelphia. Their delay was probably due to the fact that they feared that an inundation of Philadelphia paper money would rob them of all their specie. On April 3, 1840, the Pennsylvania Legislature, pressed by the people, ordered the banks of the State to resume specie payments on or before January 15, 1841. The banks complied with the order.³³ Within a few days, the banks of Maryland and Virginia decided that they, too, could with safety, take a like step on February 1st,³⁴ and it appeared likely that the banks further South and West would soon follow their example. But before the movement got well under way, a twenty day run, which drained it of \$6,000,000.00 in specie, forced the United States Bank to close its doors, this time forever. Its entire capital - \$35,000,000.00 - was a total loss. Its creditors were in time paid in full,³⁵ but the stockholders lost every cent of their investment. Its failure shook the entire country; all but two banks in Philadelphia were compelled to suspend;³⁶ the banks in New Jersey, Delaware, Maryland, and Virginia, in order to protect themselves against the possible inroads of Philadelphia paper money, were compelled to take a like action; resumption was not

33. McMaster, Ibid., VI, 623.

34. McMaster, Ibid., (citing the Washington Globe, Jan. 25, 30, 1841), VI, 623.

35. Tuckerman, Ibid., entries for Feb. 4-8, 1841; McMaster, Ibid., (citing the Washington Globe, Feb. 6, 1841), VI, 623; White, Ibid., p. 289; Van Metre, Ibid., p. 319; Schouler, Ibid., IV, 347; Commons, Ibid., I, 455; Turner, Ibid., p. 111.

36. McMaster, Ibid., (citing the Washington Globe, Feb. 6, 1841), VI, 623.

affected in the South nor in the West;³⁷ and the financial state
of the nation was as bad if not worse than before.³⁸

Under the law in some of the States, the banks were liable to heavy penalties for suspension or specie payments. But inasmuch as the evil was so widespread, Pennsylvania, Maryland, Virginia,³⁹ Ohio,⁴⁰ and Illinois repealed their penalizing laws, and no further effort was made to correct the situation until January, 1842, at which time two strong banks in Cincinnati which had continued to pay out specie were forced to suspend. A riot ensued, and the Ohio Legislature, alarmed, decided to take some definite action.⁴¹

Meanwhile, the Democratic party, which had been defeated on economic issues in the last national election, had been making sharp attacks upon the Whigs for their failure to bring about the reform which they had promised the people during the pre-election campaign. Democratic papers insisted that the resumption of specie payments and a reform of the banking system must take first place in all legislative programs, and they urged the Democratic

37. McMaster, Ibid., VI, 623; Commons, Ibid., I, 456.

38. Niles Register, LXII, 107; Von Holst, Ibid., II, 450.

39. McMaster, Ibid., (citing the Washington Globe, Mar. 30, Apr. 10, 1841), VI, 624.

40. Niles Register, Apr. 24, 1841; McMaster, Ibid., VI, 624.

41. Niles Register, Apr. 24, 1841; McMaster, Ibid., VI, 624.

42. McMaster, Ibid., (citing the Washington Globe, Apr. 10, 1841), VI, 624.

43. Ibid.

44. McMaster, Ibid., (citing the Cincinnati Inquirer, Jan. 12, 1842 and the Cincinnati Republican, Jan. 12, 1842), VII, 6-7.

45. McMaster, Ibid., (citing the Washington Globe, Oct. 14, 1841), VII, 5.

members of legislative bodies throughout the nation to insist⁴⁶
that the banks be either forced to resume or to liquidate.

Thoroughly aroused by the lash of Democratic papers and disappointed at the Whig failure to remedy the situation, the people of Ohio, Pennsylvania, Illinois, Kentucky, Michigan, Indiana, Tennessee, Alabama, Vermont, Maine, New Jersey, Maryland, Georgia, Massachusetts, and New York, who had voted Whig in the presidential election of 1840, returned Democratic majorities in⁴⁷ the State elections of 1841. Many of the men elected were Locofocos; i.e., radical Democrats. They hated banks, and hence the stage was set for possible and probable drastic action in at least fifteen States.

The Ohio Legislature was the first to take any definite action. A few days after the riot referred to above, the Legislature met and adopted a series of resolutions in which it was asserted that mutual interests demanded that the States of Ohio, Pennsylvania, Virginia, Kentucky, Illinois, and Michigan take immediate and necessary steps to force the bankers to⁴⁸ either resume or to liquidate.

That this had not been merely an idle gesture may be inferred from the fact that within one month the banks in Ohio were informed that unless they resumed on or before March 4th they⁴⁹ would be declared insolvent and deprived of their charters.

46. Ibid., (citing the Washington Globe, Oct. 22, 1841 and Kendall's Expositor), VII, 6.

47. Ibid., (citing the National Intelligencer, Nov. 27, 1841), VII, 2-3.

48. Ibid., (citing Laws of Ohio, 1842, pp. 207-210), VII, 7.

49. Ibid., (citing Laws of Ohio, Act of Feb. 18, 1842), VII, 7.

Within the specified time the banks resumed and the old banking system was saved for the time being, at least, in Ohio. Ohio's example was quickly followed by definite action on the part of the Legislatures and banks of Louisiana, Michigan, Maryland, New Jersey, Pennsylvania, Virginia, North Carolina, Indiana, Tennessee, New Hampshire, Illinois, and Missouri.

The result was that by the end of 1843 nearly all the banks which had suspended and were still solvent were back on a specie paying basis. Some trouble was had enforcing the orders for

50. Ibid., (citing Laws of Louisiana, 1842, No. 22, Feb. 5, 1842; New Orleans Advertiser, Mar. 13, 1842; Public Ledger, Apr. 4, 1842; Pennsylvanian, May 24, 1842; New Orleans Bee, May 17, 18, 1842), VII, 8-9.

51. Ibid., (citing Act of January 17, 1842; Acts, Nos. 40, 41, Feb. 16, 1842), VII, 11.

52. Ibid., (citing the Baltimore Republican, Jan. 20, 1842; National Intelligencer, Mar. 2, 3, 1842; Washington Globe, Mar. 3, 7, 1842; Act of Mar. 8, Chapter 302), VII, 12-13.

53. Ibid., (citing Laws of New Jersey, Act of Mar. 5, 1842, pp. 111, 112; Washington Globe, Mar. 28, 1842), VII, 14.

54. Ibid., (citing Message of the Governor, Jan. 5, 1842; the Pennsylvanian, Feb. 18, 1842; the Lancaster Intelligencer, Mar. 22, 1842; Public Ledger, Mar. 21, 1842), VII, 14-17.

55. Ibid., (citing Laws of Virginia, 1842, Chapter 105, Mar. 25, 1842), VII, 18.

56. Ibid., (citing the Washington Globe, May 9, 1842), VII, 18.

57. Ibid., (citing the Pennsylvanian, Feb. 16, 1842), VII, 18.

58. Ibid., (citing Resolution No. 18, Feb. 5, 1842; Public Ledger, June 27, 30, July 13, Aug. 8, 1842), VII, 19.

59. Ibid., (citing Laws of New Hampshire, Chapter 475, June 25, 1842), VII, 19.

60. Niles Register, Mar. 4, 1843; McMaster, Ibid., (citing Message of Governor Carlin, Dec. 7, 1842; Act of January 24, 1843; Act of Feb. 25, 1843; Act of Mar. 4, 1843), VII, 25-28.

61. McMaster, Ibid., (citing Laws of Missouri, Acts of Feb. 17, 28, 1843), VII, 11.

resumption and effecting reform in Louisiana,⁶² Michigan,⁶³ Maryland,⁶⁴
⁶⁵ Pennsylvania, and Illinois, and some of the banks were compelled
⁶⁶ by force of circumstances to suspend for another short period,
 and still others were ordered to surrender their charters. For a
 while the people in these States were bewildered and somewhat
 apathetic. But conditions continued to improve gradually until
 1844, when it was generally admitted that the credit and banking
 system was once more in a position to render good service to the
⁶⁷ country. But the old prosperity did not return until 1849.⁶⁸

Intimately connected with the deranged credit and banking
 system was the chaotic condition of the currency. A disordered
 currency system was not a new experience for young America. In
 fact, from the very beginning of the nation's existence certain
factors had precluded the very possibility of order. A discussion

62. McGrane, Ibid., p. 120; McMaster, Ibid., (citing the New Orleans Advertiser, Mar. 13, 1842; Phila. Public Ledger, Apr. 4, June 27, 1842; Pennsylvanian, May 24, June 13, 1842; New Orleans Bee, May 17, 18, 1842; New Orleans Picayune, May 22, 1842; New Orleans Courier, June 18, 1842), VII, 10.

63. McMaster, Ibid., VII, 11.

64. Ibid., (citing the National Intelligencer, Feb. 24, Mar. 18, 23, 1842; Laws of Maryland, Chapter 282, Mar. 8, 1842; Phila. Public Ledger, July 18, 1842), VII, 12-13.

65. Ibid., (citing the Washington Globe, Jan. 29, 1842; Pennsylvanian, Jan. 31, Feb. 1, 15, 18, 1842; National Intelligencer, Mar. 19, 21, 1842), VII, 15-17.

66. Ibid., VII, 25-28.

67. Tuckerman, Ibid., entry for Jan. 1, 1845; Paxson, Ibid., pp. 314, 322; Faulkner, Ibid., p. 234; Scroggs, Ibid., p. 118; Dewey, Ibid., pp. 225, 233, 260; Shannon, Ibid., p. 356.

68. Commons, Ibid., I, 487; Faulkner, Ibid., p. 752. - They attribute the return of the old prosperity to the Mexican War activity, the discovery of gold in California, and to the building of the railroads.

of these factors belongs to a treatise on money. Here it will suffice to indicate two only; viz., the ineffectual efforts of the national government to provide a metallic currency, and its disinclination to provide a permanent means for the proper management of a paper currency system. The first factor was due to inexperience; the second, to political differences based upon interpretations of the national constitution. Their combined result was that both the government and the people were, for many years, compelled to rely upon foreign coins and the ill-managed paper currency of the States banks, the value of which was always uneven and sometimes practically nil.

To be sure, some of the coins authorized by the Mint Act of 1792 had been produced. By means of these coins, the government had hoped to eliminate the necessity of a national paper currency; to drive out of circulation the paper money of the State banks; and to outlaw the use of foreign coins. But the amount turned out by the mint was insufficient for the needs of the country. Moreover, comparatively few of the coins ever reached the people. They were either absorbed by the banks or else taken up by dealers in foreign and intersectional exchange. In the absence of a national paper currency the government was compelled to re-legalize, as it were, the use of foreign coins, and the people to resort to the use of personal "IOU'S," merchant's due bills, and direct barter.

69. Some idea of the effect that the vacillating money and banking policies of the national government had upon the currency and credit systems can be had by referring to the index of the following books under the headings, "bank," "coinage," "currency," "money:" Van Metre, *Ibid.*; Von Holst, *Ibid.*, Vols. I ff; Shannon, *Ibid.*; McMaster, *Ibid.*, Vols. I ff; Faulkner,

Such a state of affairs could not continue. America of the early 1800's was growing rapidly and there was an irrepressible need for a more effective and less primitive medium of exchange. The only other known means was the paper money of the State banks. America's experience with the earlier paper money of the State banks had been very sad indeed, hence the nation was reluctant to make use of it on a large scale. Moreover, the paper issues of the State banks were limited by the indirect restrictions which had been forced upon them by the policy of the Second United States Bank. But, as the need for currency became greater and the opportunities to reap huge profits from the speculative ventures of the age became more promising, the animosity of the people toward State bank issues began to wear away. The State bankers realized this and began to clamor for relief from the restrictive policy of the Second United States Bank. The opportunity for relief came with the political ascendancy of Andrew Jackson in 1829. Jackson was, by no means, in favor of paper money; he was essentially a "hard money" man. But his handling of the national bank question brought about a condition which enabled the State banks to indulge in the highly profitable but dangerous form of speculation; viz., issuing bank notes. Freed from the indirect checks which had been exercised by the Second United States Bank, they increased their paper issues by 57% within the short period of eight years, and slowly but surely reduced the currency of the

Ibid.; Dewey, Ibid.; Commons, Ibid., Vols. I ff; Schouler, Ibid., Vols. I ff; Scroggs, Ibid.; Hepburn, A. Barton, The Contest for Sound Money, (Macmillan, N. Y., 1903) passim; Turner, Ibid.,

nation to a babel of bad bank notes.⁷⁰

The people were not entirely unaware of what was happening. But their urgent need for currency; their desire to share in the speculative profits of the period; their blind confidence in the future; and their inclination to "take a chance" made the way easy not only for the bankers but for counterfeiters as well.⁷¹ That the people were also cynically amused at the situation is quite evident from the good-natured and half contemptuous names - such as "Wild-cat" notes, "Catamounts," "Stump-tails," "Saddle-bag" notes, "Blue pups," "Shinplasters," "Rag money," and "Foreign money" - which were given to the notes issued by the various banks.⁷² The more seriously inclined, however, could not

70. McMaster, Ibid., VI, 213; Von Holst, Ibid., II, 192; Paxson, Ibid., pp. 314-320; Shannon, Ibid., pp. 345 ff.; Van Metre, Ibid., pp. 306 ff.; Scroggs, Ibid., pp. 17 ff.; Dewey, Ibid., pp. 156, 160, 198 ff., 211; Faulkner, p. 231; Commons, Ibid., p. 348.

71. Van Metre, Ibid., p. 353; Paxson, Ibid., p. 234.

72. McMaster, Ibid., VI, 407; Shannon, Ibid., p. 350; Commons, Ibid., I, 349; Scroggs, Ibid., pp. 48-53, 81, 113, 126-131. - "Wild-cat" notes were notes issued by "Wild-cat" banks, i.e., institutions which "had been set up in the dense primeval forest, where the only creatures to disturb the tranquillity of its sylvan retreat were the wild cats" (Scroggs, 51) which "purred peaceably one moment and clawed madly the next." (Shannon, 350). "Catamounts" and "Stump-tails" were notes of small denomination issued by the same institutions. "Saddle-bag" notes were notes issued by "saddle-bag" banks, i.e., banks "whose notes were carried about the country in saddle bags, to be exchanged with landowners for their personal notes." (Scroggs, 51) "Red-dog" notes were notes which had been originally printed and intended for the Farmers' and Merchants' Bank of St. Joseph (Mich.), but which had been changed by means of a red stamp to read "The Farmers' and Merchants' Bank of St. Joseph at Centreville." (Scroggs, 127; McMaster, VI, 407) "Blue pups" was a nickname given to an issue of small denomination notes which had been printed in blue ink, (Scroggs, 127) "Shinplasters" was the name given to small notes issued by towns, firms, and individuals to meet the currency needs of the time. (Scroggs, 81) "Foreign" money was the name given to paper currency issued by non-local banks. (Scroggs, 53) "Rag" money was the general name given to all paper money. Other nicknames were "George Smith" money, "Brandon" money, and "Mills" money; these names indicated the issuing agents. The money which bore their name was held in rather high esteem by the merchants of the 1830's. (Scroggs, 113, 131)

help but think of the ease with which counterfeiters and unscrupulous bankers were floating their worthless paper; of the inconveniences and unpleasanties caused by the inability of individuals to estimate the exchange value of the currency in their possession; and of the annoyances to which travelers were subjected as a result of the varying exchange values of their paper money and the tendency of local sharpers to pass on to the innocent traveler all the debased coins, counterfeit money, and currency of insolvent banks that had come into their possession. Then, too, there was the ever-present danger that the speculative bubble would burst. All that was needed was time and some chance blows to reduce the already disordered currency system to a state of chaos.

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Two of the blows came from an unexpected source. They were contained in the Deposit Act of June 23rd and the Specie Circular of July 11, 1836. The act of June 23rd decreed: (a) that any bank employed as a depository of the public funds should credit as specie all sums deposited to the credit of the United States; (b) that the Secretary of the Treasury was to select certain banks as depositories of the public funds; (c) that no bank should be selected which did not redeem its notes in specie or which issued any note of a denomination less than five dollars; (d) that the surplus funds of the national government should be distributed among the various States. The Specie Circular ordered that in the future all payments for land purchases should be made in gold or

73. Scroggs, Ibid., pp. 83 ff.; Shannon, Ibid., p. 351; McMaster, Ibid., VI, 623 ff.; Schouler, Ibid., IV, 289.

silver?⁷⁴

The intention of the government was good. Its declared purpose was to correct the evils of the currency system, and thereby (a) protect the national funds against dissipation by the speculative activities of the State bankers, and the flow of worthless paper currency into the public treasury via the Land Office; (b) force employers to pay laborers in gold and silver coin and thus protect them from the injustice of being paid in paper money of uneven and doubtful value; (c) protect legitimate land buyers and settlers against the speculators, who by means of their borrowed paper credit were outbidding legitimate buyers, monopolizing the best sites, and flooding the new States of the West with small notes of doubtful value. But the hoped for results were not achieved. The sudden shock was too great for the already deranged system and the currency of the nation became more disordered than ever.

The Deposit Act, as we have already indicated, set into motion a period of forced and unnatural contraction. Money which had been plentiful and cheap suddenly became scarce and dear. In some places the interest rates rose to as high as seven per cent a month, and in other places it could not be borrowed at any price. Business operations became difficult and in many cases

74. Cf. references given on p. 15. Another clause in the Deposit Act provided for an interest charge of 2% on the excess if the deposit exceeded a fourth part of the bank's capital for at least three months. This was an attempt to compel the State banks, at least those selected as depositories, to meet the legal requirements regarding paid-in capital. - Cf. Dewey, Ibid., p. 210.

75. McMaster, Ibid., (citing the Secretary of the Treasury), VI, 214, 324-326; McGrane, Ibid., pp. 45, 49, 50, 56, 57, 61, 92; Turner, Ibid., p. 291; Hibbard, Ibid., pp. 112, 218; Dewey, Ibid., p. 229; Paxson, Ibid., pp. 320 ff.

impossible.⁷⁶ But of a far more serious nature was that part of the Deposit Act which banished all bank notes of small denomination. This part of the act was part and parcel of Jackson's "hard money" policy. Some preliminary steps had been taken in this direction by the national government in the Coinage Act of 1834. That such a step found favor with the people is quite evident from the petitions and memorials which were submitted to State Legislatures and from the acts which were passed in a number of States between 1835 and 1837.⁷⁷

Part of the government's plan was that a sufficient amount of gold and silver should be coined to fill the gap which would be created in the currency system by the suppression of small denomination notes. Some efforts were made by the mint to carry out this provision, but they were ineffectual. As soon as the coins appeared on the market they were absorbed by the banks; by dealers in foreign and intersectional exchange; and by hoarders of coin. Meanwhile, the acts which had been passed in some of the States for the suppression of small denomination notes were being evaded. Banks were circumventing the State laws by issuing small denomination certificates; and money brokers, by bringing in the small denomination notes of States that had no such prohibitory

76. McMaster, Ibid., (citing a letter from the Van Buren Papers, viz., Wright to Van Buren, Mar. 21, 1837; and the National Intelligencer, Mar. 21, 1842), VI, 341, 390, 394, 524-525, 628; VII, 17; McGrane, Ibid., pp. 114-115, 121-127.

77. McMaster, Ibid., (citing Laws of New York, Act of Mar. 31, 1835; Laws of Maine, Act of Mar. 21, 1835; Laws of Connecticut, 1835, Chapter XVI; Laws of New Jersey, Act of Mar. 4, 1835; Laws of New Hampshire, 1837, Chapter CCCVI; Laws of Alabama, Act of Jan. 10, 1835), VI, 213, 217-220; Schouler, Ibid., IV, 173, 260; Shannon, Ibid., p. 351; Niles Register, L, 50.

laws and selling them for specie which was immediately shipped out of the State. It was to put a stop to such abuses and evasions of State Laws that the national government decreed that no bank issuing any note of a denomination less than five dollars should be selected as a depository for the public funds. The 78 decree was, one might say, a weak form of a national bank law.

Whatever chance the government's plan to force "hard money" into circulation had of working was, however, doomed to failure by the joint effects of (a) the order for the distribution of the surplus revenues; (b) the Specie Circular; (c) the demand of English creditors that their American debtors repay their loans. The effect of the first was the transference of millions of dollars of specie from one section of the country to another by an unnatural process which reduced it to a mere article of freight, thus depriving many of the banks of whatever chance they might have to redeem their small denomination notes in specie. The joint effect of the second and third points given was an extraordinary run upon the banks which forced all of them to suspend specie payments and many of them into insolvency, thus letting loose upon the country a flood of never to be redeemed 79 paper money.

Meanwhile, counterfeiters of coin and small change notes had

78. Commons, Ibid., I, 349; McMaster, Ibid., VI, 213, 217 ff., 405; McGrane, Ibid., pp. 99, 106, 110; Schouler, Ibid., IV, 260; Von Holst, Ibid., II, 176; Scroggs, Ibid., p. 81. - Scroggs describes a small denomination certificate as a small change note "which contained no promise to pay and therefore technically was not a note ----."

79. Cf. references given on page 15. - Dewey, Ibid., p. 231 remarks that the national government, when distributing the surplus, gave to the States the worthless paper currency which had come to the treasury via the Land Office.

been extremely active; and to further complicate matters, business men, towns, cities, counties, and States, in order to facilitate small business transactions, which had been rendered practically impossible as the small change notes tended to disappear, were resorting to the use of tokens, exchange tickets, due bills, warrants, relief notes, and direct barter; while the national government resorted to the use of treasury notes. Thus at one and the same time there was in use at least ten different types of money or substitutes for money. One can easily imagine the bewilderment of the people. Scarcely any of them knew the true purchasing value of the money or so-called money that they had in their possession. In many cases it proved to be of no value at all and in all other cases it was, as they expressed it, shaved; i.e., discounted at rates varying from ten to sixty two per cent. Slowly but surely good currency was disappearing. An economic law which states that bad money will always drive good money out of circulation was operating quite viciously. Large business houses endeavored to protect themselves from its effects by employing

"counterfeit detectors" and "bank-note reporters" to pass on the

80. Niles Register, May 20, 1837; Paxson, Ibid., pp. 314, 322; Schouler, Ibid., IV, 279, 289; McMaster, Ibid., VI, 400-405; VII, 9-13; McGrane, Ibid., pp. 99, 100, 107, 110, 127; Commons, Ibid., I, 349. - McMaster, VI, 402, 404, 405, gives some examples of the exchange tickets, warrants, due bills, etc., that were issued during the period. He also tells us that the tokens issued by firms and individuals were ironically inscribed "Bentonian Currency - Mint Drop," "Van Buren Metallic Currency," "Executive Experiment," etc.

81. Schouler Ibid., IV, 282, 285; McMaster, Ibid., VI, 415. Cf., also, note #90 infra.

82. Niles Register, LII, 370; Von Holst, Ibid., II, 197; McGrane, Ibid., p. 127; McMaster, Ibid., VI, 6-13.

83. i.e., "Gresham's Law." - cf. Scroggs, Ibid., p. 52; Schouler, Ibid., IV, 260.

authenticity and value of the paper money and coins offered in payment for goods. Despite these precautionary measures they suffered heavy losses and not a few of them were compelled to close their doors.⁸⁴ But their sufferings were light when compared with the plight of the lesser merchants and the misery of the man in the street. They were helpless. By force of circumstances, they were compelled to accept whatever currency they could get, be it good or bad. This unhappy condition lasted until 1844, when it was generally admitted that the weeding-out process had run its course and that the general acceptability of the national currency had been considerably improved. In the interval bank-note circulation had shrunk from \$149,000,000 to \$75,000,000 and specie reserves had increased from \$37,900,000 to \$49,000,000, thus providing the credit or paper-currency with a sounder metallic base than that which had prevailed immediately before⁸⁵ and during the panic years.

Another major disorder which attended the panic was the distressing condition of public finance, both federal and State. That distressing changes had taken place in federal finances may be readily inferred from the federal balance sheet for the years⁸⁶ 1835-1844. The amounts given are expressed in terms of millions of dollars.

84. Paxson, *Ibid.*, p. 314; Van Metre, *Ibid.*, p. 353.

85. McGrane, *Ibid.*, (citing *Hunt's Merchants' Magazine*, VII, 78, 79; X, 75, 560; Richardson, *Messages and Papers*, IV, 352), p. 236; Scroggs, *Ibid.*, p. 118; McMaster, *Ibid.*, VI, 408; Von Holst, *Ibid.*, II, 175.

86. Dewey, *Ibid.*, p. 233; Shannon, *Ibid.*, p. 353; Von Holst, *Ibid.*, II, 330 ff.; - In 1843 the beginning of the government fiscal year was changed from Jan. 1st to July 1st. The figures given for 1843 in the tables on the following page are, therefore, for the half year only.

YEAR	RECEIPTS	EXPENDITURES	SURPLUS	DEFICIT	BONDED DEBT
1835	35.4	17.5	17.5		
1836	50.8	30.8	20.0		
1837	24.9	37.2		12.3	.3
1838	26.3	33.8		7.5	3.3
1839	31.4	26.8	4.6		10.4
1840	19.4	24.3		4.9	3.6
1841	16.8	26.4		9.6	5.3
1842	19.9	25.1		5.2	13.6
1843	8.2	11.7		3.5	20.2
1844	29.3	22.4	6.9		23.5

But figures are dumb; hence some explanation must be given
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 for these changes. The following tables indicating the various sources of federal income and the distribution of expenditures will help and will enable us to avoid dragging into our explanation a confusing number of figures:

RECEIPTS

YEAR	CUSTOMS	PUBLIC LANDS	MISCEL.	TOTAL
1835	\$19,391,000	\$14,757,000	\$1,282,000	\$35,430,000
1836	23,409,000	24,877,000	2,540,000	50,826,000
1837	11,169,000	6,776,000	7,009,000	24,954,000
1838	16,158,000	3,730,000	6,414,000	26,302,000
1839	23,137,000	7,361,000	984,000	31,482,000
1840	13,499,000	3,411,000	2,570,000	19,480,000
1841	14,487,000	1,365,000	1,008,000	16,860,000
1842	18,187,000	1,335,000	454,000	19,976,000
1843	7,046,000	898,000	287,000	8,231,000
1844	26,183,000	2,059,000	1,078,000	29,320,000

EXPENDITURES

YEAR	WAR	NAVY	INDIANS	PENSIONS	INTEREST ON DEBT	MISCEL.	TOTAL
1835	5,795,000	3,864,000	1,706,000	1,954,000	57,000	4,229,000	17,573,000
1836	11,747,000	5,807,000	5,037,000	2,882,000		5,393,000	30,868,000
1837	13,682,000	6,646,000	4,348,000	2,672,000		9,896,000	37,244,000
1838	12,897,000	6,131,000	5,504,000	2,156,000	14,000	7,160,000	33,865,000
1839	8,916,000	6,182,000	2,528,000	3,142,000	399,000	5,725,000	26,896,000
1840	7,095,000	6,113,000	2,331,000	2,603,000	174,000	5,995,000	24,314,000
1841	8,801,000	6,001,000	2,514,000	2,388,000	284,000	6,490,000	26,482,000
1842	6,610,000	8,397,000	1,199,000	1,378,000	773,000	6,775,000	25,135,000
1843	2,908,000	3,727,000	578,000	839,000	523,000	3,202,000	11,780,000
1844	5,218,000	6,498,000	1,256,000	2,032,000	1,833,000	5,645,000	22,484,000

From 1822 to 1836 receipts were far in excess of expenditures. The accruing surplus was applied mainly to the retirement of the national debt. In January of 1835, the debt was completely paid off. The result was a surplus in the treasury for which the government had no immediate use. This was a tempting morsel, too great for "pork-barrel" politicians to resist. In June, 1836, it was decreed that all but \$5,000,000.00 of the surplus on hand on January 1, 1837 was to be distributed among the various States. On the given date the surplus amounted to \$37,000,000.00 and provisions were made for the transference of \$32,000,000.00 to the various State treasuries. ^{87a} Before the transaction could be completed the government found itself in financial difficulties. Unhappily, insufficient thought had been given to the possibility of a large increase in the cost of government nor to the possibility of a sizeable decrease in federal income. Both ⁸⁸ possibilities became actual facts. The result was that the

87a. McMaster, *Ibid.*, VI, 318 ff.; 358; Schouler, *Ibid.*, IV, 230-231; Shannon, *Ibid.*, p. 341; Dewey, *Ibid.*, p. 220; Paxson, *Ibid.*, 320; Turner, *Ibid.*, p. 436.

88. The increased costs of government were due to the extravagant appropriations made by Congress for the so-called convenience of its members; to the increased compensation granted to pensioners, judges, and customs collectors; and to the various projects planned and set in motion by the government in 1836. Among these projects were: a rapid extinction of Indian titles; suppression of the Seminoles in Florida; removal of the Indians to the lands beyond the Mississippi; enlargement of the War and Navy Departments; establishment of new civil administration and judicial units in the west; improvements in the District of Columbia; and the construction of light-houses, customs-houses, branch mints, and new roads to the Territories, - Cf. Dewey, *Ibid.*, pp. 233, 247; Shannon, *Ibid.*, p. 342; Von Holst, *Ibid.*, II, 293, 330; Paxson, *Ibid.*, pp. 281, 290; McMaster, *Ibid.*, VI, 9-10, 41-51, 233-234, 311, 320, 327; VII, 202.

The decrease in federal income was due to a shrinkage in land sales and customs duties. The shrinkage in land sales was an effect of the Specie circular. The shrinkage in customs duties was a result of the joint effects of

government found itself faced with a series of annual deficits⁸⁹ and for a time was unable to pay its employees.

President Van Buren was reluctant to admit the gravity of the situation. But finally realizing that the government was verging on insolvency, he summoned Congress to meet in an extraordinary session. Congress assembled on the 4th of September, 1837. The President, in his message, graphically pictured the distress of the national treasury. As a means of averting disaster he recommended the halting of the distribution of the surplus; the issuance of treasury-notes; and the creation of an independent or sub-treasury to take care of the national funds and to act as fiscal agent for the government. The creation of the sub-treasury was deferred to a later date, but the first two proposals met with almost instant approval. Distribution of the surplus was halted and the government was authorized to issue treasury-notes not in excess of \$10,000,000.00. The treasury-notes were to be regarded as legal tender and were to be redeemed within one year from date of issue. The general opinion was that the financial pressure would quickly disappear. But Congress was too optimistic. Before the panic ended seven more acts authorizing either reissues

the commercial crises and the Compromise Tariffs of 1832 and 1833. - Cf. Dewey, Ibid., p. 233; Shannon, Ibid., pp. 235 ff; Von Holst, Ibid., II, 193, 451; McMaster, Ibid., VI, 167-169.

The government was further embarrassed by the defaults of the "Pet Banks;" by the defalcations of administrative officials; and by the volume of worthless paper currency which had come to the treasury via the Land Office. - Cf. Dewey, Ibid., p. 231; Van Metre, Ibid., p. 319; Von Holst, Ibid., II, 175, 296, 352; Schouler, Ibid., 279 ff., 283, 286, 296, 350 ff.

89. Niles Register, Mar. 12, 1842; Dewey, Ibid., p. 233; Von Holst, Ibid., (citing Gilmer's Majority Report), II, 450; McMaster, Ibid., (citing Richardson's Messages and Papers, IV, 102, 106-111), VII, 50, 57, 58.

or entirely new issues were required. All told \$47,002,000.00 in treasury notes bearing interest varying from one mill to six per cent were put into circulation between 1837 and 1843.⁹⁰

This large volume of notes did not, however, relieve the pressure. As a consequence, the government was compelled to resort to three long-term loans. The first was authorized on July 21, 1841; the second on April 15, 1842; the third on March 3, 1843. Approximately \$21,000,000.00 was realized from these three loans; a most disappointing response. Investors objected to the short term of maturity; to the clause prohibiting the sale of the bonds at less than par; and to the low rates of interest provided for in the first loan. More liberal terms were granted in the second and third loans; interest rates were higher; terms of maturity longer - twenty years for the second loan and ten years for the third; and the bonds could be sold at less than par. But investors were still slow to respond. Investigation revealed that much American and foreign capital was engaged in efforts to repair the damage which had been inflicted by the panic upon private interests. But a still greater reason for the failure of capital to respond was found in the general lack of confidence in the national government. The bank and sub-treasury questions were still unsettled; the annual income was too low, public expenditures were too great; and investors in general feared that the national government would, like some of the States, repudiate

90. Dewey, *Ibid.*, pp. 232, 234; Von Holst, *Ibid.*, (citing the Debates of Congress, XIII, p. 461), II, 199, 210; McMaster, *Ibid.*, VI, 401, 413 ff.; VII, 51. --- McMaster, VI, 356, gives the amounts which were due and which were actually paid to the States under the provisions of the Distribution Act.

its debts?^{90a} The bank and sub-treasury questions became the "football" of political factions and was not settled until 1846.⁹¹ But despite the quarrels and inconsistencies of the pro and contra bank politicians general confidence was restored. This was achieved by reducing public expenditures to the lowest minimum possible; by assuring the investing public that the national government frowned upon repudiation; and by the Tariff Act of 1842 which raised the tariff rates from a general level of 20% to a general level of approximately 35% and placed numerous restrictions upon the free list. These changes enabled the government to increase its income from this source to a point over and beyond that reached in 1836. The result was that by 1844⁹² the treasury was able to report a surplus of over \$6,000,000.00.⁹²

State treasuries were likewise in a deplorable condition. In the late 'twenties and early thirties' many of the States had become willing victims, as it were, of the speculative fever which was then rampant in the country. In fact, all but eight States had pledged their credit for the promotion of some speculative enterprise.⁹³ In 1820, the joint debt of the States was

90a. Dewey, Ibid., pp. 234-235; McMaster, Ibid., (citing Journal of the House of Representatives, 27th Congress, 2nd Session, pp. 82, 89; Richardson, Messages and Papers, IV, 102, 106-111; The Public Ledger, Mar. 24, 30, 1842; and Act of Congress of Apr. 15, 1842), VI, 413; VII, 50, 57; Niles Register Mar. 12, 1842.

91. Cf. infra., p. 100.

92. Turner, Ibid., p. 505; Faulkner, Ibid., p. 237; Shannon, Ibid., p. 237; Schouler, Ibid., IV, 407 ff.; Dewey, Ibid., pp. 237, 249; Von Holst, Ibid., II, 451 ff.; McMaster, Ibid., VI, 572; VII, 58-66.

93. Faulkner, Ibid., p. 341; Paxson, Ibid., p. 314; Turner, Ibid., p. 229; Von Holst, Ibid., II, 173; McGrane, Ibid., passim, 1-43; McMaster, Ibid., VII, 19. ---- The eight States were New Hampshire, Vermont, Rhode Island, Connecticut, New Jersey, Delaware, North Carolina, and Georgia.

\$12,790,728.00; by 1835 it had increased to \$66,482,166.00; by 1838 to \$170,806,187.00; and by 1842 to well over \$200,000,000.00.⁹⁴ Most of this credit had been borrowed abroad, and, as President Van Buren observed, the resources of many States and the future industry of their citizens had been indefinitely bound to pay annually to the subjects of European governments a sum exceeding half the annual ordinary revenues of the whole United States.⁹⁵

As the panic advanced the load became too great for debtor states to carry. They were, for all practical purposes, bankrupt, or at least on the verge of bankruptcy. The ten most heavily indebted completely abandoned their speculative projects and

94. Von Holst, *Ibid.*, (citing the *North American Review*, Jan., 1844, p.110 Webster's Works, IV, 261; *Statesman's Manual*, II, 1244; the *Democratic Review*, Aug., 1848, p. 101; Wm. Cost Johnson as given in *Niles Register*, LXIV, 199), II, 183, 443; Turner, *Ibid.*, (citing Henry Adams, *Public Debts* [N.Y., 1887], p. 301; Tenth Census: Valuation, Taxation and Public Indebtedness, p.523; Hazard, S. [ed.], Hazard's United States Commercial and Statistical Register, I, 36-40; United States Almanac for 1843 [Phila., 1842]; Jenks, Leland H., *The Migration of British Capital to 1875* [N.Y., 1927], Chaps. III, IV; Cole, A.C., *The Whig Party in the South* [Washington, 1913], pp.76-78; Abernethy, T.P., *The Early Development of Commerce and Banking in Tennessee in the Mississippi Valley Historical Review*, XIV, 317; Sioussat, St. Geo. L., *Some Phases of Tennessee Politics in the Jackson Period in The American Historical Review*, XIV, 640-67; Scott, W.A., *The Repudiation of State Debts*, [N.Y., 1893], passim; Callender, G. S., *The Early Transportation and Banking Enterprises of the States in Relation to the Growth of Corporations*, in the *Quarterly Journal of Economics*, XVII, 38), pp. 229, 319; Schouler, *Ibid.*, IV, 326; Van Metre, *Ibid.*, p. 313; Ely, R. T., *Outlines of Economics*, (Macmillan Co., N.Y., 1908), p. 83. ---- According to Ely, the distribution of the State debts contracted prior to 1838 was as follows: "\$60,201,551.00 were chargeable to canals, \$42,871,084.00 to railways, \$52,640,000.00 to banks, \$6,618,868.00 to roads, and \$8,474,684.00 to miscellaneous objects." According to Von Holst, *Ibid.*, p.173, citing W.G. Sumner's *History of American Currency*, pp. 117, 118; "Railroad building was not a subject of unhealthy speculation, and the crises did not, as it appears, stop an unnatural development in this respect, but rather checked a species of enterprise which, without it, might have gone on to produce a great and healthy prosperity."

95. Von Holst, *Ibid.*, (quoting from Van Buren's Message of 1840, *Statesman's Manual*, II, 1244), II, 183; Schouler, *Ibid.*, (quoting from the same message), IV, 346.

adopted the shameful expedient of debt repudiation as a means of
 96
 maintaining their financial integrity. The controversy regarding
 repudiation and the reaction to the movement will be treated in
 the next chapter. The points we wish to stress here are: the size
 of the joint debt; the inability of many States to meet their
 current expenses; and the abandonment of grandiose schemes for
 internal improvements at State expense. As a result of this last,
 thousands of laborers were thrown out of work and millions of
 dollars were lost. Some of the States sold their improvement
 projects to private corporations; others simply abandoned their
 97
 partially completed works. The experience had been a trying one
 for taxpayers. Thoroughly aroused at the grim possibilities of
 state participation in such undertakings, they now forbade the use
 98
 of State credit for internal improvements. The lesson, one might

96. These states were Mississippi, Arkansas, Indiana, Illinois, Michigan, Maryland, Pennsylvania, Louisiana, Alabama, and Florida. - Cf. Faulkner, *Ibid.*, pp. 341; Turner, *Ibid.*, p. 229; footnotes # 89 ff. Chap. III, p. 85 ff.

97. McMaster, *Ibid.*, (citing Governor Porter to the Pennsylvania Legislature, Feb. 1, 5, 1840; *The Pennsylvanian*, Feb. 3, 5; Apr. 18, 1840; *National Intelligencer*, Oct. 28, 1839; *Commercial Advertiser*, Nov. 22, 1839; *New York American*, Nov. 20, 1839; *Log Cabin*, Mar. 13, 20, 1841; *Phila. Public Ledger*, Jan. 30, 1843; *Executive Documents*, 29th Congress, 1st Session, No. 226, Vol. viii, pp. 1038-1047; *Laws of Illinois*, Act of Mar. 4, 1843; *Documents* accompanying the Journal of the House of Representatives of the State of Mich.; at the annual session of 1842, Vol. ii, p. 33; *Laws of Pennsylvania*, Act of July 27, 1842; *Phila. Public Ledger*, Mar. 24, 1843), VI, 527 ff., 626, 628; VII, 11, 18-44; Shannon, *Ibid.*, p. 182; Turner, *Ibid.*, pp. 313, 319; McGrane, *Ibid.*, (citing Sowers, D.C., *Financial History of New York*, N.Y., 1914), pp. 68-70; *Pennsylvania Senate Journal*, [1841], I, 14; *Maryland Senate Journal* [1837], pp. 9, 10; 1842, pp. 7, 8; *Annual Report of the Baltimore and Ohio*, 1837, p. 4; *Report of the Chesapeake and Ohio*, [1851], pp. 77, 78; Meyer, B.H., *History of Transportation in the United States before 1860*, pp. 405; *Virginia House Journal*, [1837], p. 1; [1841-1842], Doc. 71; *Illinois Historical Collections*, II, 52; VII, 66; *Illinois Senate Journal* [1839], p. 33, [1842-1843], p. 12; *Report of Board of Public Works in Illinois* 1843, p. 4; Morris, C.N., *Internal Improvements in Ohio*, in *Amer. Hist. Assoc. Papers*, III, 128; *Hunt's Merchants' Magazine*, XXI, 405; Bogart, E.L., *Financial History of Ohio*, [Urbana, 1912], pp. 80, 307-309), pp. 103 ff., 128 ff.; Faulkner, *Ibid.*, p. 341 *Niles Register*, Nov. 16, 1839; Feb. 8, 22, Mar. 28, 1840; Dec. 11, 1841.

98. Cf. *infra.*, p. 99.

say, had been well learned, but it was learned at a tremendous cost to national and State credit ratings, and to taxpayers who were to bear the burden for many years to come.⁹⁹

A fourth major disorder which attended the panic was the dislocation of industry. In the words of a contemporary writer,¹⁰⁰ "Everything had been thrown out of joint," and, according to another,¹⁰¹ the failures were almost innumerable.

Just how many failures and foreclosures there were is mainly a matter of conjecture. But a fair idea of how great and numerous they must have been can be had from the incomplete reports regarding conditions in some of the more important centers. From New Orleans were reported at least sixty-seven failures with liabilities well up in the millions. In this city one house failed for \$15,000,000.00; one for \$5,000,000.00; another for \$2,500,000.00; three for \$2,000,000.00 each; and three for \$1,000,000.00 each.¹⁰² Mobile reported that nine-tenths of her merchants had failed.¹⁰³ In New York there were over two-hundred and fifty failures with liabilities well above the \$100,000,000.00

99. Von Holst, Ibid., II, 216; McMaster, Ibid., VII, 36; McGrane, Ibid., p. 112; Turner, Ibid., p. 229.

100. Price, Walter Winston, We Have Recovered Before, (Harper & Bros., N. Y., 1933), p. 29, - quoting a contemporary writer.

101. Von Holst, Ibid., (quoting the North American Review, Jan. 1844, p. 121), II, 216.

102. American Almanac, (1838), p. 329; Niles Register, LII, 114, 130, 161; '37 and '57, pp. 22-23; Schouler, Ibid., IV, 278; Von Holst, Ibid., II, 196; McMaster, Ibid., (citing the New York Journal of Commerce, Apr. 6, 1837; the Pennsylvania Inquirer, Apr. 20, 1837), VI, 393, 395, 396, 409.

103. McMaster, Ibid., (citing the Pennsylvania Inquirer, Apr. 21, 1837), VI, 396, 397, 409; Von Holst, Ibid., II, 195; Niles Register, LII, 113.

mark.¹⁰⁴ According to one writer the cream of New York merchants
¹⁰⁵
 were caught in the catastrophe, and another reported that the
 failures in New York were so numerous that he no longer kept
¹⁰⁶
 count of them. From Boston came reports of seventy-eight failures
 among the larger establishments, sixty among the retailers, and
¹⁰⁷
 thirty among the other small shops.

In its earlier stages the disorder was confined mainly to the
 great commercial cities of the coast. But as time went on it
¹⁰⁸
 gradually spread throughout the entire country. No figures are
 given for many sections of the country but all of them reported
¹⁰⁹ ¹¹⁰
 distress. Mills were closed down in New England; distilleries and
¹¹¹
 mines in Pennsylvania; ships and boats which had been so busily
 occupied in foreign and intersectional trade in pre-panic days
¹¹²
 lay idle at their docks; thousands of unemployed walked the

104. Niles Register, LII, 166; McMaster, Ibid., (citing a letter from the
Van Buren Papers, viz., Wright to Van Buren, Mar. 29, 1837; the New York
Journal of Commerce, Apr. 6, 7, 8, 1837; New York Transcript, Apr. 6, 1837;
New York Herald, Apr. 11, 1837; Pennsylvania Inquirer, Apr. 10, 20, 25, 1837),
 VI, 393, 395, 396, 409.

105. McMaster, Ibid., (citing the New York Transcript, Apr. 6, 1837), VI,
 395.

106. Tuckerman, Ibid., entry for May 2, 1837.

107. American Almanac, (1838), 329.

108. Von Holst, Ibid., II, 195-196; McGrane, Ibid., pp. 91 ff.; Schouler,
Ibid., p. 278; McMaster, Ibid., VI, 395, 397.

109. McGrane, Ibid., p. 131; McMaster, Ibid., VI, 397; Commons, Ibid.,
 I, 457.

110. McMaster, Ibid., VI, 391.

111. Commons, Ibid., (citing the New York Star as reprinted in the
Philadelphia Public Ledger, Apr. 15, 1837), I, 457.

112. McGrane, Ibid., (citing a letter from the Biddle Papers, viz., Davis
 to Biddle, June 2, 1837; Niles Register, Apr. 22, Sept. 16, 1837; National

streets¹¹³; and under the general bankruptcy law passed by Congress,¹¹⁴
39,000 persons declared themselves bankrupt.

To be sure some merchants and manufacturers managed to escape failure. But they, by no means, were able to escape the general distress. Their troubles were due to the collapse of the credit and currency systems. Intersectional dealers were handicapped by the lack of reliable paper money and other credit instruments; local dealers, by the absence of small change and by the intrusion¹¹⁵ of spurious currency of other cities and States. Then, too, the unemployed and many of the cotton planters and general farmers had no money to make any purchases whatsoever. The result was a general paralysis of commerce and manufacturing. Most of the business men were so shocked at the extent of the disaster that they were, one might say, afraid to make any move, lest they commit some new mistake which would further complicate their already precarious position. Conditions were not entirely relieved until 1844, nor did the old prosperity return until 1849. But by 1842 the worst was over; confidence was returning,

Intelligencer, Apr. 18, 1837), pp. 98, 131; Commons, Ibid., I, 457; McMaster, Ibid., VI, 397.

113. Cf. footnotes 6-20, Chapter III, p. 63 ff.

114. Juglar, Ibid., p. 80; Van Metre, Ibid., p. 319; McMaster, Ibid., VII, 48-49; Von Holst, Ibid., II, 448; Turner, Ibid., p. 449; McGrane, Ibid., p. 139.

115. Clark, Ibid., p. 380; Paxson, Ibid., p. 314; Commons, Ibid., I, 349; McMaster, Ibid., (citing the National Intelligencer, Feb. 24, Mar. 18, 19, 21, 23, 1842; Lancaster Intelligencer, Mar. 22, 1842; Public Ledger, Mar. 21, 1842), VII, 9, 13, 17; McGrane, Ibid., (citing the Pennsylvania Senate Journal, I [1838], 175, 183; Reports and Resolutions, South Carolina [1837], p. 2; Ohio Doc., Thirty-ninth General Assembly, Doc. 21, pp. 5, 6), pp. 106, 110, 114, 127.

and commerce and industry was reviving. Contemporary opinion in the northern States attributed the revival and the return of confidence to the Tariff Act of 1842. Southern authorities differed with them and denounced the new tariff law as unjust and unconstitutional. Modern authorities are at variance on the question. But the fact remains that business did begin to improve¹¹⁶ after the passage of the Tariff Act of 1842.

Another class of producers who were seriously affected by the panic in its earlier stages were the cotton growers, especially those of the lower South. Their complaints began to appear as early as the fall of 1836. The hope of sharing in the enormous profits which were being derived from speculations in cotton led many of them to indulge in an unwise and untimely expansion. Many of them borrowed huge sums of money on their slaves, cotton stocks and anticipated crops, and used the funds thus received for the purchase of more land and more slaves, usually at twice¹¹⁷ their normal value. Eventually, the market became glutted with unsaleable cotton; prices began to decline; and brokers

116. Turner, *Ibid.*, (citing a letter from the *Life and Times of the Tylers* II, p. 553), p. 505; Faulkner, *Ibid.*, p. 237; Shannon, *Ibid.*, p. 237; Schouler, *Ibid.*, IV, 407 ff.; Dewey, *Ibid.*, pp. 237, 249; Von Holst, *Ibid.*, (citing the *North American Review*, Jan., 1844, p. 121), II, 216, 450 ff.; McMaster, *Ibid.*, (citing the *Boston Mail*, the *New York American*, the *New York Commercial*, the *New York Express*; the *Baltimore American*; the *Baltimore Sun*; the *Richmond Enquirer*, the *Columbia*, S. C. *Carolinian*), VI, 412, 572; VII, 58-66; Niles *Register*, Sept. 10, 17, 24, 1842; Juglar, *Ibid.*, p. 5; Caldwell, *Ibid.*, p. 310; Jones, *Ibid.*, p. 29, footnote; Clark, V.S., *History of Manufactures in the United States, 1607-1860*, (McGraw-Hill Book Co., Washington, 1916), p. 285; Taussig, F.W., *Tariff History of the United States*, (G.P. Putnam's Sons, N.Y., 1923), p. 19.

117. Schouler, *Ibid.*, IV, 278; Turner, *Ibid.*, p. 177; McMaster, *Ibid.*, VI, 397; McGrane, *Ibid.*, (citing Senate Doc., Twenty-fifth Cong., Second Sess., Vol. VI, No. 471, p. 73; *Kentucky Senate Journal* [1837], pp. 212, 213; *Tennessee Senate Journal*, [1841], p. 23; *Florida Legislative Council Journal*, 1841, p. 12; *Cincinnati Daily Gazette*, May 8, 1837), pp. 19, 26-27, 112, 117.

anticipating still lower prices refused to buy. As a consequence
 118
 the planters were unable to meet their debts. Many of them were
 unable to buy even the common necessities of life for their
 families and their slaves. In order to secure food and to protect
 their land holdings against foreclosure, some of them sold their
 best slaves at losses varying from \$800.00 to \$1300.00 per slave.
 119
 Others gave up in disgust and carried their slaves off to Texas.
 In fact, it became quite common in some parts of Mississippi to
 have writs of foreclosure returned, marked by the sheriff, "gone
 120
 to Texas." Visitors returning from the lower South declared that
 121
 "the reports of distress were far short of the reality;" that
 some of the finest portions of Mississippi had become partially
 122
 depopulated; that in Alabama property had almost entirely
 123
 changed hands; that in Louisiana times were worse than they had
 124
 been during the Embargo and the war with England; and that the

118. Shannon, Ibid., p. 315; Scroggs, Ibid., p. 79; Commons, Ibid., I, 455; McGrane, Ibid., p. 118; Von Holst, Ibid., (citing the Richmond Inquirer, the Courier and Inquirer, Apr. 16, 1837; the True American, May 4, 1837), II, 195, 196; McMaster, Ibid., (citing Pennsylvania Inquirer, Apr. 10, 14, 20, 21, 1837), VI, 396, 397, 409, 524; Niles Register, LII, 113, 130, 131, 161.

119. Von Holst, Ibid., (citing the London Bankers' Circular of July 12, 1839, as given by Hazard, U. S. Commerce and Statist. Reg., Aug., 1839, Vol. I, No. 10, p. 159), II, 216; McGrane, Ibid., (citing a letter from the Biddle Papers, viz., Poe to Biddle, Sept. 6, 1836; Cincinnati Daily Gazette, May 18, 1837), pp. 116, 117.

120. Von Holst, Ibid.,

121. Von Holst, Ibid.,

122. Von Holst, Ibid.; McGrane, Ibid., p. 118.

123. McGrane, Ibid., p. 116.

124. McGrane, Ibid., (citing the New Orleans Courier, July, 1839), p. 119.

courts of Georgia and Florida were crowded with suits for debt.¹²⁵
 In brief, bankruptcy was almost universal in the lower South.¹²⁶
 Some estimate of the losses sustained by the cotton planters will
 be given in another section of this chapter.

General farmers, likewise, felt the heavy hand of the
 disorder, but not quite so quickly as did the other branches of
 industry.^{126a} In the early years of the panic, foodstuffs were scarce.
 Many farmers had been drawn from their plows by the high wages
 offered by the public works contractors; others tempted by the
 high and quick profits involved in land speculation became dealers
 in land rather than cultivators of the soil.¹²⁷ The result was
 smaller crops and higher prices for foodstuffs. Then, too, there
 had been some serious crop failures in '35, '36, '37, and '38,

125. McGrane, *Ibid.*, (citing the Georgia Senate Journal [1837], p. 10; [1838], p. 21; [1840], p. 9; [1842], pp. 16, 17; Florida Senate Journal [1839], p. 7; [1840], p. 11; [1841], pp. 11, 12), p. 121.

126. Shannon, *Ibid.*, p. 358; Von Holst, *Ibid.*, (citing the North American Review, Jan. 1844, p. 121), II, 216; McGrane, *Ibid.*, pp. 116-120.

126a. McGrane, *Ibid.*, (citing the Maysville Eagle, Apr. 29, 1837; the Illinois Senate Journal [1837], p. 16; Cincinnati Daily Gazette, June 23, July 18, 1837; New York Journal of Commerce, Aug. 11, Nov. 25, 1837; Cincinnati Chronicle as quoted in the Cincinnati Daily Gazette, July 3, 1837; Ohio Doc., Thirty-eighth General Assembly, Doc. 1, p. 7; Senate Doc., Twenty-fifth Cong., Second Sess., Vol. IV, Doc. 365, No. 54; Vol. VI, Doc. 471, pp. 447, 448; Indiana Senate Journal [1837], pp. 8, 64; Illinois Senate Journal [1837], p. 16; Kentucky Senate Journal, [1837], p. 8; Pooley, W.V., A Settlement of Illinois, 1830-1850, [Madison, 1908], p. 347; Pittsburg Daily Advocate, quoted in the National Intelligencer, Aug. 17, 1839), pp. 123-127.

127. McGrane, *Ibid.*, p. 35; Niles Register, Oct. 26, 1839.

128. Hibbard, *Ibid.*, p. 219; Dewey, *Ibid.*, p. 226; McMaster, *Ibid.*, VI, 414; Faulkner, *Ibid.*, (quoting Peck, J.M., A New Guide for Emigrants to the West, [Boston, 1837], pp. 119-121; Mitchell, D.W., Ten Years in the United States, [1862], p. 325; Ford, Thomas, History of Illinois [1854], p. 181), pp. 212-213, 242-244.

and a considerable amount of foodstuffs had to be imported from
 129
 abroad. But these very facts enhanced the position of the farmers
 who had remained at their plows and who had been able to maintain
 their credit. For them it meant greater returns for their labor.
 130
 For the first two years of the panic they reaped a golden harvest.
 130a

In 1839, however, affairs began to change. Cotton planters
 were beginning to diversify their crops; agricultural workers
 were returning from the abandoned public works to their farms;
 and many of the unemployed of the commercial and manufacturing
 centers were migrating to the farming sections and becoming
 131
 farmers. As a result general farm products became more abundant
 and prices began to fall. By 1843 they had dropped so low that
 132
 they scarcely paid the costs of production. This sorry condition
 133
 lasted until 1850.

129. American Almanac (1837), p. 318, 319; Dewey, Ibid., pp. 226, 230;
 Commons, Ibid., I, 455; McGrane, Ibid., p. 36; McMaster, Ibid., (citing the
Pennsylvania Inquirer, Feb. 1, Apr. 22, 1837), VI, 390-391, 397.

130. McGrane, Ibid., (citing the Pittsburg Daily Advocate as quoted in
 the National Intelligencer, Aug. 17, 1839), pp. 126-127.

130a. McGrane, Ibid., p. 127.

131. Commons, Ibid., I, 488; McGrane, Ibid., (citing New York Senate
Journal [1843], p. 5; [1844], p. 24; [1845], p. 37; South Carolina House and
Senate Journals, [1840], pp. 10, 11), pp. 105, 114-115, 122, 127.

132. Schouler, Ibid., p. 325; Shannon, Ibid., p. 308; Turner, Ibid.,
 (citing the Prairie Farmer, Feb., 1843; the Southport American, July 6, 1843;
Illinois State Historical Library Publications, No. 9, 537; the Manchester
England Guardian, Dec. 21, 1842; Putnam, J.W., "An Economic History of the
Illinois and Michigan Canal," Journal of Political Economy, XVII, 292, n. 85,
 citing Davis and Swift's Report of the Illinois and Michigan Canal, 1844; the
Home Missionary, XVII, 55, July, 1844; and the Western Journal, I, 279), p. 308.

133. Turner, Ibid., p. 308; Faulkner, Ibid., p. 258.

This slow recovery of general farming was not entirely unexpected. In 1839, one editor had wisely observed that the "farmers were the last to experience the evil, and it is fair to infer that they will be the last to find relief." The relief which came in 1850 was due to the happy combination of circumstances which attended the discovery of gold in California; the more extensive use of labor saving machinery and scientific methods of farming; the opening of the English markets; the developement of the railroads, and of steamers on the Great Lakes. In the interval, however, many farmers had been foreclosed, while others enraged at the high tax rates or unwilling to remain on mortgaged land packed up and moved further West, thus opening up new country and preparing the way for the new commercial and industrial expansion which was to follow so closely on the heels of the panic of 1837.

A full account of the losses sustained during the panic cannot be given, but some inadequate idea can be gained from the general estimates of losses, failures, and depreciations of values offered by contemporary and later writers. In Letters to the People of the United States by Concivis we are given the following estimate for the years 1837 to 1841:

"Losses in wool.....	\$ 20,000,000
Losses in cotton.....	130,000,000

134. McGrane, Ibid., (citing the Pittsburg Daily Advocate as quoted in the National Intelligencer, Aug. 17, 1839), p. 127.

135. Shannon, Ibid., p. 299 ff.; McGrane, Ibid., (citing the South Carolina House and Senate Journals [1840], pp. 10, 11), p. 114; Faulkner, Ibid., pp. 258 ff.; cf., also, references given in footnote #88, Chap. III, p. 84.

135a. As quoted by McGrane, Ibid., p. 140.

Losses in grain.....	\$150,000,000
Losses in foreign merchandise.....	130,000,000
Losses in domestic merchandise.....	400,000,000
Losses in capital vested in manufactures.....	50,000,000
Losses of capital vested in moneyed stocks....	150,000,000
Losses in capital vested in slave labor.....	400,000,000
Losses of capital vested in lands.....	2,500,000,000
Losses of capital vested in real estate in cities.....	500,000,000
Losses on price of labor.....	1,500,000,000"

136

The United States Almanac also gave an estimate for the same period in which it listed:

"Losses on banks' circulation and deposits.....	\$ 54,000,000
Losses on capital failed and depreciated.....	100,000,000
Losses on depreciated State stock.....	100,000,000
Losses on company stocks.....	80,000,000
Losses on real estate.....	300,000,000"

Another general estimate of the losses sustained is contained in an address which a committee of merchants from New York City handed to President Van Buren on May 3, 1837. The report antedates the panic by a few days, but it is useful inasmuch as it gives us a general notion of the New York merchants' idea of the effect of the depression upon the business life of their city. In the report they wrote, "Under a deep impression of the propriety of confining our declarations within moderate limits, we affirm that the value of our real estate has, within the last

six months, depreciated more than forty millions; that within the last two months, there have been more than two hundred and fifty failures of houses engaged in extensive business; that within the same period, a decline of twenty millions of dollars has occurred in our local stocks, including those railroad and canal corporations, which though chartered in other States, depend chiefly upon New York for their sale; that the immense amount of merchandise in our warehouses has, within the same period, fallen in value at least thirty per cent; that within a few weeks, not less than twenty thousand individuals, depending upon their daily labor for their daily bread, have been discharged by their employers, because the means of retaining them were exhausted, and that a complete blight has fallen upon a community heretofore ¹³⁷ so active, enterprising and prosperous."

Philip Hone, a merchant and at one time Mayor of New York City, also, gave a very doleful account of the economic conditions of the times. In his Diary he noted that all stocks ¹³⁸ had fallen below par; that real estate could not be sold at all; ¹³⁹ that insurance companies were refusing to insure; that he had ¹⁴⁰ lost two-thirds of his fortune; and that within three years stock ¹⁴¹ in the United States Bank had fallen from 122½ to 4, in the

137. As quoted by McGrane, Ibid., p. 141; Dewey, Ibid., p. 231; Von Holst, Ibid., II, 195; Niles Register, May 3, 1837.

138. Tuckerman, Ibid., entry for Apr. 21, 1837.

139. Tuckerman, Ibid., entry for Jan. 1, 1842.

140. Tuckerman, Ibid., entry for Feb. 1, 1840.

141. Tuckerman, Ibid., entry for Jan. 1, 1839.

Vicksburg Bank from 89 to 3, in the Kentucky Bank from 92 to 56, in the North American Trust from 95 to 3, in the Farmers' Trust from 113 to 30, and in the American Trust from 120 to 0.¹⁴²

Now we must bear in mind that the figures given above, excepting of course, the depreciation in bank stocks, etc., listed by Philip Hone, represent not the actual number of failures, nor actual losses or depreciations in values, but, rather, estimates of the same based upon incomplete or inaccurate reports. It must be realized that the means of communication, observation, and compilation of statistics were not quite so well developed then as they are now. Moreover, we may feel quite sure that the observers either neglected to note, or entirely ignored, the failures of the smaller shopkeepers and merchants, and the losses of the lesser individuals. And if they did we should not be surprised, for it is utterly impossible in a time of panic to check on every failure, every loss, and every depreciation in value. The conflicting reports rendered by trained observers during the panic of 1929 demonstrates the truth of this statement and gives us an idea of the difficulties encountered by the men of 1837 when, hampered as they were by a lack of facilities, they attempted to give us a picture of the terrible catastrophe which had interrupted the apparently smoothly running course of American life.¹⁴³

142. Tuckerman, Ibid., entry for Nov. 25, 1841.

143. Another fact which the reader must bear in mind is that the United States was still in the early stages of its development. Ever so many changes were occurring. These changes were acted upon by the panic and in turn acted upon it. Thus there was an intermingling of cause and effect which made it virtually impossible for the earlier writers to report accurately all that they saw and heard.

Chapter III

SOCIAL AND POLITICAL REPERCUSSIONS

It has been said that the psychological atmosphere common to all panics is one of fear, doubt, and suspicion.¹ This statement can, in all truth, be applied to the Panic of 1837. Men had lost confidence in the future, in their political and economic agencies, in their neighbors, and even in themselves. As contemporary and later writers put it, "a deep gloom had settled on their minds."²

The reason for this frame of mind is not hard to find. The monied classes had suffered tremendous losses in stocks and property values. Many who had rated their wealth in millions now counted it by thousands; others were completely ruined; and still others who had managed to maintain their property intact were unable to obtain enough ready cash for the daily uses of life -³ their property had simply stopped earning money. In fact, so great was the change in material circumstances that men regarded it as a general redistribution of wealth.⁴ As a class, the monied people

1. Gemmel, P. F. and Blodgett, R. H., Economics: Principles and Problems, (Harper & Bros., N. Y., 1937), I, 542-543; Burke, S. J.; E. J., Political Economy, (American Book Company, N. Y., 1913), p. 217.

2. Von Holst, Ibid., (citing the North American Review, Jan. 1844, p.121), II, 216; McGrane, Ibid., (citing Baker, G. E. [ed.], Works of W. H. Seward, New York, 1853, 5 Vols., II, 183), p. 102; McMaster, Ibid., VI, 394; VII, 17.

3. Tuckerman, Ibid., entries for Jan. 1, 1839, 1841, 1842, 1843, 1844; McGrane, Ibid., (citing a letter from the Biddle President's Letter Books; viz. Biddle to Foinsett, May 7, 1837; South Carolina House and Senate Journals [1840], pp. 10, 11), p. 69, 114; Von Holst, Ibid.; McMaster, Ibid., (citing Executive Documents, 1st Session, 29th Congress, Vol. viii, pp. 605, 606), p. 18; Wayland, F.; The Moral Law of Accumulations, (J.E.Brown, Providence, 1837), p. 7.

4. McGrane, Ibid., (citing Scott, W. A.; Repudiation of State Debts, [N. Y., 1893], pp. 227, 228), pp. 116, 117, 142.

were thoroughly dismayed; suspicion and fear had taken complete possession of them. Captain Marryat, the English novelist, who visited America during the panic, wrote, "Had I not been aware of the cause, I should have imagined that the plague was raging ---. Not a smile on one countenance among the thousands who pass and repass; hurried steps, careworn faces, rapid exchanges of salutations, or hasty communication of anticipated ruin before the sun goes down. Here two or three are gathered on one side whispering or watching that they may not be overheard; there a solitary with his arms folded and his hat slouched, brooding over departed affluence."⁵

But the plight of the wealthy, as a group, could not be compared with the sufferings of the wage earners. As usual, this class bore the brunt of the economic disaster. Thousands of unemployed - mechanics, seamen, dockworkers, laborers, clerks, salesmen, seamstresses, and even professional workers - were walking the streets begging for work, not for charity; and offering to exchange their services for board and lodging. Every advertisement for help brought thousands of applicants. Just exactly how many thousands were unemployed is not known. One

5. Caldwell, Ibid., (quoting Captain Marryat), p. 302.

6. McGrane, Ibid., (citing the Pennsylvania Senate Journal, I [1838], 175, 183; National Intelligencer, April 18, 1837; A Brief Popular Account of the Financial Panics in the United States to 1857, by members of the New York Press, p. 30), 98, III, 131, 132; McMaster, Ibid., (citing the Pennsylvania Inquirer, Jan. 7, 1837), VI, 391; '37 and '57, p. 25, 30; Von Holst, Ibid., II, 195; Commons, Ibid., I, 455; Niles Register, April 22, Sept. 16, 1837.

7. McGrane, Ibid., (citing A Brief Popular Account of the Financial Panics in the United States to 1857, p. 30.), p. 132.

report from New York City listed 6000 craftsmen;⁸ another from the same city placed the number of unemployed individuals who depend "upon their daily labor for their daily bread" at no less than 20,000.⁹ And from the mill centers of New England, such as Dover,¹⁰ Haverford,¹¹ Haverhill,¹² Lynn,¹³ and Salem,¹⁴ came reports of streets thronged with unemployed men. New Bedford, Mass.,¹⁵ reported similar conditions, as did Bangor and Augusta, Maine,¹⁶ and the larger towns and cities of New Jersey and Pennsylvania.¹⁷ Concerning the unemployed, Captain Marryat wrote that some of them were "pacing up and down the streets with the air of

8. Commons, Ibid., (citing Coman, Katherine, The Industrial History of the United States, p. 231), I, 457; McGrane, Ibid., p. 130.

9. A report of New York merchants submitted to President Van Buren, as cited by McGrane, Ibid., p. 141; Dewey, Ibid., p. 231; Von Holst, Ibid., II, 195; Niles Register, May 3, 1837; Shannon, Ibid., p. 353.

10. McGrane, Ibid., p. 131; Commons, Ibid., (citing the New York Star as reprinted in the Public Ledger, May 1, 1837), I, 457.

11. McGrane, Ibid., p. 131.

12. Commons, Ibid., (citing the Haverhill Gazette as reprinted in the Public Ledger, May 20, 1837), I, 457; McMaster, Ibid., VI, 397.

13. McGrane, Ibid., p. 131; McMaster, Ibid., VI, 397.

14. McGrane, Ibid., p. 131; McMaster, Ibid., VI, 397.

15. Commons, Ibid., (citing the New York Star as reprinted in the Public Ledger, May 13, 1837), I, 457.

16. McMaster, Ibid., VI, 397.

17. McGrane, Ibid., (citing the New Jersey Assembly [1837], pp. 146-149; [1843], pp. 16, 17), p. 108.

18. McGrane, Ibid., (citing the Pennsylvania Senate Journal, I [1838], 175, 183), p. 111; Commons, Ibid., (citing the Miners Journal as given in the Public Ledger, May 5, 1837; Public Ledger, Jan. 1, 1838), I, 457; McMaster, Ibid., (citing the Pennsylvania Inquirer, Jan. 7, 1837), VI, 391.

famished wolves," while others "leaned against their shantys and
¹⁹
starved."

The number of the unemployed increased almost daily until
²⁰
1841. In that year conditions began to improve slowly. But in the
²¹
interval many families had broken up housekeeping; almshouses had
²²
been filled to the brim; and women had begged food in the streets
²³
for their children. To relieve the general suffering, soup-houses
²⁴
had been established in the larger cities of the East but their
numbers were insufficient, and, as a result, many had died from
starvation while many others who were unable to obtain lodgings
²⁵
froze to death.

Some workmen had been able to retain their jobs. But they,
too, had their troubles. Many of them were being paid in debased
currency which they had to accept at face value, but could pass
²⁶
only at a tremendous discount. Hence, none of them knew what their
real wages would be from week to week. In Philadelphia, one editor

19. Caldwell, Ibid., (quoting Captain Marryat), p. 302.

20. McGrane, Ibid., (citing A Brief Popular Account of the Financial
Panics in the United States to 1857, p. 30), p. 132.

21. McMaster, Ibid., VI, 395.

22. McMaster, Ibid., VI, 395; McGrane, Ibid., (citing A Brief Popular
Account, etc. p. 30), p. 131.

23. McGrane, Ibid.,

24. Reznick, Ibid., pp. 665, 667; Commons, Ibid., (citing the Public
Ledger, Jan. 1, 1838), I, 458.

25. McGrane, Ibid.; '37 and '57, p. 30.

26. Commons, Ibid., (citing The Man, Jan. 5, 1835; New York Plaindealer,
Dec. 10, 1836; New York New Era, March 15, 1837; Public Ledger, Feb. 23,
1839), I, 349, 459; Von Holst, Ibid., II, 450 footnote; Schouler, Ibid., IV,
263, 278; Shannon, Ibid., p. 288.

complained that "men may be found in this city who perpetuate it habitually (i.e., pay their men in debased currency), and thus gain hundreds of dollars yearly. In receiving dues, they insist upon Philadelphia money, or upon a discount of foreign money, and having pocketed the discount, they pay the foreign money to their laborers at par. If they borrow money from a Philadelphia bank, to pay their laborers, they first exchange it at a broker's shop, for foreign money, and they employ a broker regularly to collect foreign money for their laborers." Even the employees of the federal government complained of this evil. They assembled on the White House grounds to register their complaint and asserted that the higher officials were paying themselves in good money and compelling the lesser employees to accept debased currency.

Another difficulty which confronted those who had managed to hold on to their jobs was the matter of low wages and the high cost of living. During the speculative period there had been a general increase in rents and in the prices of food and fuel.

27. Commons, Ibid., (citing the Public Ledger), I, 459.

28. Schouler, Ibid., IV, 280-281.

29. Tuckerman, Ibid., Nov. 27, 1835, March 12, 1836; Commons, Ibid., (citing Publications of the American Statistical Association, XIV, 804; Sec. of the Treasury, Report on State of the Finances, 1863, pp.302-308; New York Daily Register as quoted by Niles Register, Nov. 12, 1836; New York Transcript as reprinted in the National Trades' Union, Apr. 4, 1835; the Pennsylvanian, June 9, 1836; Byrdsall, The History of the Loco-Foco or Equal Rights Party, pp. 99-106, 107, 108), I, 11, 348, 349, 372, 396, 398, 464; Turner, Ibid., (citing Commons, J. R. and others eds., A Documentary History of American Industrial Society, [Cleveland, 1910], V, 18; Cole, A. H., Wholesale Prices in the United States, 1825-1845, in Review of Economic Statistics, [Harvard Economic Service], VIII, 69-84; Hansen, A. H., in American Statistical Association Publications, XIV, 804-812), p. 122; Von Holst, Ibid., (quoting from Webster's Works, IV, 262), II, 183 ftnote; Shannon, Ibid., p. 308; Schouler, Ibid., IV, 258, 262-263, 278, 464; '37 and '57, p. 20 ff.; Trimble, Ibid., p. 398; McMaster, Ibid., VI, 340, 390-393.

There had, also, been an increase in the general level of wages, but it was slight in comparison with the increased costs of living, and the only gainers, if they may be so called, were the laborers on the internal improvement projects and mechanics in general. Salaried workers, professional men, and women workers continued on at the same old wage scales. Hence, times were rather trying for the wage earner even during the days of speculative prosperity.³⁰ Philip Hone wrote in his Diary that he sympathized with them and that he would not raise their rents.³¹ But sorry as their condition was then, it became still worse when the country became panic stricken. All wages were cut, even those of salaried workers and professional men.³²

Prior to the panic, mechanics had been somewhat protected against such cuts by the labor unions. But with the advent of the panic the unions became seriously weakened and could no longer give the worker the protection he needed.³³ In fact, it was rumored

30. Turner, Ibid., p.122; Faulkner, Ibid., p.320; McGrane, Ibid., p.133; McMaster, Ibid., (citing the New York American, Apr. 30, 1835; the Pennsylvania Inquirer, Jan. 7, Mar. 2, 1837; New York Courier and Enquirer, Feb., 1837; the New York Commercial Advertiser, Feb. 14, 1837; the United States Gazette, Mar. 8, 1837), VI, 221-223; 391-393; Schouler, Ibid., IV, 263; Shannon, Ibid., p. 273; Commons, Ibid., I, 342-423. - Commons compares wages and the cost of living, and cites newspapers of the day and other documents too numerous to mention in a footnote; on pp. 478 ff. he gives a list of strikes for higher wages.

31. Tuckerman, Ibid., Nov. 27, 1835.

32. McGrane, Ibid., (citing the Cong. Globe, Twenty-sixth Cong., First Sess., App., p.142; the Cincinnati Daily Gazette, Mar. 9, 1840), pp.133, 174; Shannon, Ibid., p. 275; Faulkner, Ibid., (citing Horace Greeley, and Ware, N., The Industrial Worker, 1840-1860, Chaps. IV and VII), p.320; Commons, Ibid., I, 487 ff. - Commons discusses the strikes for higher wages which followed the panic, cites newspapers of the day and other documents too numerous to mention and compares the wages of the period with the high cost of living.

33. McGrane, Ibid., p. 131; Rezneck, Ibid., p.667; Shannon, Ibid., p.287; Faulkner, Ibid., p. 321; McMaster, Ibid., VI, 395; Commons, Ibid., I, 456.

that the unions themselves were advocating further cuts in wages. One editor wrote, "We see that some of the trades societies are holding meetings to reduce wages. There is more wisdom in this than usually governs the proceedings of such bodies. We presume, however, that wages would come down without being voted down, so that the labor of voting was quite lost. By the way, we hope the employers will adopt to the full the English policy, and employ no men who do not forever abjure the unions. The good of the laborers and the peace of society demand this course. Now is the time to deliver mechanics and their families from the cruel oppression of the unions. It should be done thoroughly. The rules of the unions as to hours, pay, and everything else ought to be thoroughly broken up. The ten-hour system is one of the worst deformities of their deformed code. To work only ten hours in summer and eight hours in winter is to waste life. No man can prosper who does not abandon such rules."³⁴

The unions took vigorous exception to such reports. Resolutions were adopted declaring them to be the work of enemies, and announcing that labor would maintain the prevalent wage rates at all costs. One union in New York City appealed to its members thus, "If there yet remains one spark of the courage, manhood and determination which sustained you when forming the present scale of prices, let the employing printers of New York and United States, see that it still exists, and can be easily fanned into a flame; let them see that the insignificant pittance which you now

34. McGrane, *Ibid.*, (citing the New York Journal of Commerce as quoted by the Cincinnati Daily Gazette, May 23, 1837), p. 134.

obtain for your support shall not be reduced at their pleasure - that for them to grow richer you will not consent to become poorer. ---- Support the association," the appeal ended, "and the association will support you." But the spirit of the workers had been broken. Union membership brought threats of discharge, and black listing. Then, too, the workers were unable to give any financial support to their leaders, and the leaders themselves were being prosecuted for conspiracy to restrain trade. Under such circumstances aggressive trade unionism practically disappeared,³⁶ thus leaving the individual workers either to their own devices or to the promises of politicians and the schemes of reformers.³⁷

Intermingled with the spirit of fear, doubt, and suspicion was a feeling of indignation. Rich and poor alike could not understand why in a land of plenty there should be so much inconvenience and suffering. As they dwelled upon such thoughts,³⁸ indignation flamed into a resentment which manifested itself in meetings and petitions of protest, riots, a search for the

35. Commons, Ibid., (citing the Pennsylvanian, Apr. 29, 1837; the New York Evening Post, June 29, 1837), I, 456, 457.

36. Faulkner, Ibid., p. 321; Shannon, Ibid., p. 286; McMaster, Ibid., VI, 369; Commons, Ibid., (citing newspapers of the day and other documents), I, 410-412, 419.

37. Cf. infra, pp. 89 ff.

38. Van Metre, Ibid., p. 459; Caldwell, Ibid., p. 303; Rezneck, Ibid., p. 673.

39. Schouler, Ibid., IV, 281; American Almanac (1838), p. 330; '37 and '57, p. 25; Von Holst, Ibid., II, 195; Commons, Ibid., I, 464; McMaster, Ibid., (citing newspapers of the day and other documents), VI, 391-413; 531-532; VII, 10-18, 35; Niles Register, LII, 81, 114, 165-167, 170.

40. Schouler, Ibid., IV, 177, 195, 200, 264, 295, 462, 465; Tuckerman, Ibid., Aug. 11, 14, 1835; McGrane, Ibid., p. 127; Rezneck, Ibid., pp. 676, 677;

causes, an unwillingness to pay debts, a hatred for banks, and, finally, into a determination to change, or at least modify, the existing economic and social orders.

In the search for the causes there was a great deal of moralizing. Some moralizers regarded the panic as an act of God, and called attention to the fires, floods, frosts, and crop failures of the time; others looked upon it as a salutary lesson of self-restraint and denounced the luxurious habits of the age, the importation of silk and of French furniture, and the rage for amusements; another regarded it as a result of the opium trade with China; and still another, nearer the truth than his confreres, declared it to be the result of an excessive desire to become rich.

For the most part, however, the search for the causes resolved itself into a search for a scapegoat who could be blamed and punished for his misdeeds. Contemporary opinion differed as to who or what agency the culprit was. More often than not the expressed opinions were tinged with political or social differences. Hence, in their efforts to find and to punish the

Turner, Ibid., 123, 129; Commons, Ibid., I, 412 ff., 464 ff.; McMaster, Ibid., VI, 391, 491, 501, 521; VII, 7, 9, II, 186. - McMaster, Commons, and Turner cite numerous papers of the day and other documents.

41. Wayland, Ibid., p. 23.

42. Schouler, Ibid., IV, 201; Richardson, Ibid., III, 325; Van Metre, Ibid., p. 314; McGrane, Ibid., p. 40; Faulkner, Ibid., p. 375; Tuckerman, Ibid., Sept. 7, 1839, June 12, Sept. 1, 1840, June 14, 1841; McMaster, Ibid., VI, 221, 274, 413, 414, VII, 75-77, 89.

43. McMaster, Ibid., VI, 526.

44. Wayland, Ibid., pp. 9, 11-13.

guilty party, particular groups overlooked the fact that there were a number of concurrent causes and fastened their attention upon some single circumstance which they deemed to be the cause^{44a} for their miseries. The relative value of these circumstances has already been indicated. What we are concerned with here is the reaction of particular groups to what they thought was the real cause for their troubles.

The better informed realized that the panic was due to the wild rage for speculation and its profits, and they also knew⁴⁵ that practically everyone was to blame. One European visitor wrote, "I do not know an American who has not exchanged his⁴⁶ house or his dog." This was his way of saying that the speculative rage was almost universal and that it extended itself to almost every class of exchangeable goods. Prudent men had realized that the country was headed for economic disaster and had endeavored to head it off by curbing the rage for speculation. They had been quite outspoken in their condemnation of it. Some of the more vigorously opposed had branded it as immoral; as a species of gambling with other people's money; as a temptation to⁴⁷ young men to misuse funds entrusted to their care; and, they asked, what difference is there between speculation and "playing

44a. Scroggs, Ibid., p. 82; Dewey, Ibid., p. 231.

45. McMaster, Ibid., VI, 410, 413-414; Von Holst, Ibid., II, 173, 194; McGrane, Ibid., p. 43; Richardson, Ibid., III, 325; IV, 204; Niles Register, LVII, 169; New York Journal of Commerce, Apr. 8, 1837.

46. Schouler, Ibid., (quoting Talleyrand), IV, 9.

47. Tuckerman, Ibid., Oct. 14, 1836.

with loaded dice against ordinary dice? In what respect is it
⁴⁸
 better than sheep stealing?" Others less radical had condemned it
 as harmful to legitimate business efforts inasmuch as it induced
 farmers, small traders, merchants, bankers, manufacturers, and
 even cities and States to withdraw funds from their regular
 channels and devote them to ventures of a doubtful character,
 thereby unsettling the money market and the entire business world
⁴⁹
 and running up debts which they might never be able to pay. But
 they had not been unopposed. The defenders of speculation had
 asserted that the effort to stop speculation in western lands was
 a trick of high tariff proponents who did not want a large
⁵⁰
 national income from land sales, and that the effort to stop
 canal building was a trick of railroad promoters who feared that
 the widespread development of canals would put a stop to, or at
⁵¹
 least retard, the growth of railroads. As for the other evils
 mentioned by their opponents, they had contended that they were
 merely abuses of a good and necessary adjunct to the economic
⁵²
 progress of the country. Unhappily, those favoring unchecked
 speculation were in the majority. A statement made by the Governor
 of Missouri typifies their attitude; he said, "The sooner we begin
the sooner we shall be enjoying the advantages resulting from

48. McMaster, Ibid., VI, 338.

49. McMaster, Ibid.; Clark, Ibid., p. 381; McGrane, Ibid., pp. 46-47; Schouler, IV, 9; Von Holst, Ibid., II, 188.

50. Schouler, Ibid., (citing J.Q.Adams), IV, 155.

51. Caldwell, Ibid., p. 302; Gemmill and Blodgett, Ibid., I, 38; Schouler, Ibid., IV, 128; Shannon, Ibid., 183, 193; McMaster, Ibid., VI, 87.

52. Rezneck, Ibid., p. 672.

them." (i.e., canals).⁵³ And so the whole country had rushed headlong into the mad whirl of speculation. But when the crash came, those who had lost their money in their vain efforts to get rich quick were just as quick to turn upon it. They condemned speculation as something which should be outlawed; insisted that the States abandon their speculative projects even if it did involve the loss of millions of dollars; and did their best to legislate all speculative agencies out of existence.

Others, not so well-informed as to the true causes, blamed England for the panic. At a public meeting in Philadelphia, which was attended by approximately 20,000 people, speakers denounced the British party, the British bank, and the British press, and asserted that certain individuals were exporting specie in order to "bolster up with the treasure and lawful currency of the United States the ruined fortunes of Europe's monarchies and leave the American nation to the use of a spurious paper currency."

Others, equally ignorant of the true cause, laid the blame to the bad government of the party then in power. It was blamed for

53. McGrane, Ibid., (citing the Missouri House Journal [1836], p. 34), p. 30.

54. Rezneck, Ibid., p. 671; Wayland, Ibid., pp. 15-17.

55. Niles Register, LVI, 368; LVII, 402.

56. Cf. infra, notes # 121-124, p. 99.

57. Rezneck, Ibid., p. 669; McMaster, Ibid., VI, 403.

58. New York Journal of Commerce, Apr. 8, 1837; Von Holst, Ibid., II, 197; McMaster, Ibid., VI, 555.

low wages;⁵⁹ for the troubles of the farmer;⁶⁰ and business men rebuked the president and charged him with monarchical tendencies⁶¹ when he refused to act upon their suggestions. Then, too, there was the ever-pressing question of the tariff. One group said that the tariff rates were too high; another group insisted that they were too low; and both groups were equally bitter in their condemnation of the party in power for its enforcement of the tariff laws and equally vigorous in their assertion that the tariff rates were the cause of the panic.⁶² The party out of power, also, had its bit to say. With great gusto it charged its⁶³ opponents with cowardice, weakness, and folly in general and financial stupidity in particular for its tariff and "hard money"⁶⁴ policies; for the removal of the deposits; for the destruction of the United States Bank; for the distribution of the surplus revenues;⁶⁵ and for the Specie Circular. These charges and many others of a similar nature were widely aired in Congress and in

59. McGrane, Ibid., (citing the Cincinnati Daily Gazette, March 9, 1840), p. 174.

60. McGrane, Ibid., (citing the Cincinnati Daily Gazette, March 5, August 3, 1840), p. 175.

61. McMaster, Ibid., VI, 399; Niles Register, May 13, 1837.

62. Clark, Ibid., p. 285; Jones, Ibid., p. 29; Juglar, Ibid., p. 5; Caldwell, Ibid., p. 310.

63. Caldwell, Ibid., p. 306.

64. McMaster, Ibid., (citing the New York Evening Star, the Schenectady Cabinet, August, 25, 1835; the Pennsylvania Inquirer, Apr. 27, 1837; John Quincy Adams), VI, 219, 397-398, 405 ff.; VII, 1-5; Niles Register, Sept. 19, 1835, May 13, Nov. 25, 1837.

65. Cf. notes on page 15.

the election campaigns between 1837 and 1844. Some historians dismiss most of these charges as senseless, but, as one eminent historian says, one cannot overlook the fact that, more than ever before, political discussion was concerned with social and economic problems; and that men believed that the party in power was at fault just as at a later date other men believed that Cleveland, Theodore Roosevelt, Wilson, Hoover, and Franklin D. Roosevelt were to blame for the social and economic troubles which overtook the country during their administrations.

One of the many effects which sprung from the discussions concerning credit and banking was a definite hatred for the credit and banking systems and for paper currency in general. Bankers were accused of using the currency of the country as a means of self-enrichment, and of conniving at suspension of specie payments. Workers, merchants, and political spellbinders united in denouncing the entire set-up as part of a "well-matured system of fraud and deception; as a violation of man's natural rights;" and as legalized robbery. In the Illinois Legislature,

66. Turner, Ibid., p. 590.

67. Caldwell, Ibid., p. 307.

68. Rezneck, Ibid., p. 674; Turner, Ibid., (citing a number of studies on State banking during the period), p. 318; Commons, Ibid., I, 459, 464; McGrane, Ibid., (citing Illinois Senate and House Reports, II [1842], 191-193), 135; Trimble, Ibid., passim; McMaster, Ibid., (citing United States Gazette, March 2, 1837), VI, 393, 403, 409.

69. McMaster, Ibid., VI, 403, 404, VII, 5; Scroggs, Ibid., (citing the New York Herald), p. 83; Von Holst, Ibid., (citing the Debates of Congress XIII, p. 376; the North American Review, Jan. 1844, pp. 120, 121; Thirty Years View, II, 365-370; the Statesman's Manual, II, 1236), II, 196, 213, 217; McGrane, Ibid., (citing Exec. Doc., Twenty-fifth Cong., Second Session, Vol. IV, No. 79, pp. 8, 10, 11), p. 94.

70. Trimble, Ibid., pp. 401 ff.; McMaster, Ibid., VI, 404.

a speaker denounced the system as an evil greater than the ancient feudal privileges. He said:

Our revolutionary fathers abolished the laws of entail and primogeniture, and thereby imagined that they had placed an insuperable barrier against concentration of property. We, however, have devised means through the agency of corporations of concentrating the largest amount of wealth and property, and of holding and transmitting it in perpetuity. They abolished hereditary ranks and made provisions against titled nobility. We have created nobles without a title; we omit the shadow but retain the substance; we have not only the most numerous, but also the most powerful body of nobles that now exist, or ever existed, in any country on earth, endowed by law with privileges greater than were ever before conferred on any body of men. What aristocratic privilege was ever equal to that of controlling the currency of seventeen millions of people, and making money plenty [plentiful] or scarce at pleasure? What privilege could be compared to that of controlling all the property in the nation, and raising or falling [lowering] prices at pleasure, or of controlling the credit of every man in the nation, and raising or depressing it at pleasure? What privilege could be compared to that of making money out of nothing, and almost without limit, and loaning it at usurious rates of interest? Such are some of the privileges conferred on our banks by law; compared to which the feudal privileges of the barons of other days and other lands were insignificant baubles.⁷¹

These critics were almost as one in demanding that the entire system be declared illegal. But the credit, banking, and paper-money systems did not lack defenders. Some of them insisted that these three systems be allowed to continue on, unmolested and unhampered by any further restrictions than those already

72

imposed by the States; others admitted the necessity for some

71. McGrane, *Ibid.*, (citing the Illinois Senate and House Reports, II, [1842], 191-193), p. 135.

72. McGrane, *Ibid.*, (citing a letter from the Biddle Papers, viz., Biddle to Committee, May 18, 1837), p. 95; McMaster, *Ibid.*, VI, 219. - In the letter cited by McGrane, Biddle made an ardent appeal to labor to support the then prevailing credit, banking, and paper-money systems. He wrote, "The best friends of the laboring classes are the banks; what laboring people want is labor, work, constant employment. How can they get it? ----and how are all

further regulatory legislation and in the end their opinion
⁷³
 prevailed.

When one considers the facts, it must be admitted that there was some justification for the widespread hatred of the then prevailing credit and banking system. During the panic every bank in the country had closed its doors and refused to meet its obligations in specie. ⁷⁴ Moreover, investigations of private detectives and State bank examiners had revealed a surprising number of irregular banking practices, and even actual frauds. Some idea of these irregular and illegal activities can be had from the reports submitted to legislative bodies during and ⁷⁵ immediately after the panic.

The most comprehensive of these reports was the one submitted to the Illinois Senate in 1841:

Whole capital of the United States Bank.....\$35,000,000

Schuykill Bank, robbed by cashier..... 1,300,000

these (i.e., industries) carried on except by credit in the shape of loans from banks. If it were not from such credits, nine-tenths of all the works which give wages to labor would be at an end. ---- The greatest misfortune to the laboring classes would be to banish the system of credit. In fact, the present troubles are mainly owing to the absurd attempt to force gold and silver into circulation. Gold and silver are for the rich - safe bank-notes are the democracy of currency. The laboring classes ought therefore to stand by the banks as their best friends." But as McGrane notes, the laborers, then struggling for their very existence in the midst of frightful economic disorder, were in no mood to listen to a philosophical defense of the banking and credit systems.

73. Rezneck, Ibid., pp. 673, 675; Trimble, Ibid., pp. 396, 402, 419.

74. Caldwell, Ibid., p. 302.

75. Scroggs, Ibid., pp. 47 ff.; Schouler, Ibid., IV, 347; Turner, Ibid., p. 111; McMaster, Ibid., VI, 406 ff.; 456; McGrane, Ibid., (citing pub. documents and other works), pp. 14-17, 26, 27, 39, 70-90, 97, 107, 108.

Manhattan Bank, robbed by Newton.....	50,000
Virginia Bank, robbed by Dabney.....	500,000
Georgia Bank, robbed by Baker.....	80,000
Frederick (Maryland) Bank, compromised by Bill Wiley.....	186,000
Norwich Railroad, by the president.....	10,000
Bank of Louisiana, by the teller.....	60,000
Bank of New Orleans, by the teller.....	80,000
Canal Bank of New Orleans, by the teller.....	100,000
Bank of Michigan, by the officers.....	100,000
State Bank of Illinois, by town.....	90,000
Merchants' Bank of Baltimore, by clerk.....	10,000
Tennessee Bank, Nashville, by officers.....	7,000
Frankfort Bank, by the president.....	100,000
State Bank of Arkansas, by Ball.....	64,000
Twenty-three New York Banks, by officers.....	1,500,000
Pennsylvania Bank, by officer, Smith.....	100,000
Western Bank, by cashier, Israel.....	15,000
Camden, New Jersey Bank, by Patterson.....	13,000
Farmers Bank (Troy), by Jones.....	10,000
Western Bank (Georgia), by Moore.....	75,000
Bank of Cape Fear (North Carolina), by cashier....	10,000
Bank of Wooster (Ohio), by officers.....	100,000
Planters' Bank (Georgia), by officers.....	105,000
Bank of Steubenville (Ohio), by officers.....	125,000
Franklin Bank, Baltimore, by Stanberger.....	50,000
Newbury Port Bank, by Wychoff.....	30,000

Willington Bank (Maryland), by Sherwood.....	50,000
Gallipolis Bank (Ohio), by officers.....	20,000
Ten other Ohio banks, by officers.....	1,000,000
Six Maine banks, by officers.....	800,000
Herkimer County Bank, by clerks.....	72,000
Commercial Bank (New York), by officers (one-half the capital).....	250,000
Forgeries of Mitchell, Smith, and numerous others...	<u>200,000</u>
Total.....	\$ 42,262,000

According to the report, this was "but a portion of the amount swindled." It went on to say that it was "impossible to ascertain the amounts lost by counterfeit, depreciation, etc.," and that one investigator had "ascertained that counterfeits on 254 banks were in circulation, and enumerated 1,395 descriptions of counterfeited or altered notes then supposed to be in circulation, of denominations from one to five hundred dollars." In an effort to correct these evils a whole host of banking laws were passed in the 'forties' but no satisfactory solution was arrived at until the National Banking Acts of 1863 and 1865. The one provided the country with a uniform national currency; the other placed a 10% tax on the paper issues of State banks, thus gradually forcing the paper money of State banks into retirement.

Another effect of the feeling of resentment was the gradual disappearance of the moral feeling of obligation. The movement

76. McGrane, Ibid., (citing the Illinois Senate and House Reports, II, [1842], pp. 191-193), p. 137.

77. Dewey, Ibid., pp. 326, 328.

78. McGrane, Ibid., pp. 138-140.

began with appeals for and the granting of temporary relief
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 measures. But as debts accumulated and the number of lawsuits, foreclosures, and imprisonments for debt increased, the people became convinced that they were being made the victims of a vicious system. They began to riot; resist foreclosures for debt; and insisted that their legislators pass laws which would permanently deprive or limit the power of creditors to press
 80
 their claims in court. Conservative politicians, who were then in power throughout the country, refused to accede to their demands, asserting that such laws would be unconstitutional and would lead
 81
 to a general disregard of debts. Their opponents made great capital of this refusal, charged their rivals in office with separating the interests of the government and the people, and promised to change things if they were given control.

In the election of 1840, the Whigs gained control of the national government. They responded to the clamor for relief by passing the National Bankruptcy Act of 1841. The act divided bankrupts into two classes. "In the one were all persons whatever, whether merchants, traders, farmers, or mechanics, whose debts were not caused by defalcation as public officer, executor, trustee, administrator, or guardian. Any such man might voluntarily

79. McGrane, Ibid., pp. 101, 106, 119; Dewey, Ibid., p. 232; Rezneck, Ibid., p. 678; Scroggs, Ibid., p. 85; Von Holst, Ibid., II, 195; McMaster, Ibid., (citing newspapers of the day and other documents), VI, 395 ff., 414 ff., 624 ff., VII, 19, 45; Niles Register, Apr. 22, 1837; Apr. 24, 1841; Aug. 20, 1842.

80. Van Metre, Ibid., p. 319; Rezneck, Ibid., p. 678; Von Holst, Ibid., II, 195, 196; McMaster, Ibid., (citing newspapers of the day and other documents), VI, 398, 521, 626; VII, 17, 18, 39, 44 ff.; Niles Register, Aug. 20, 1842; June 17, 1843.

81. McMaster, Ibid., VI, 402; Von Holst, Ibid., II, 195.

declare himself unable to pay his debts and seek the benefits of the act. He then became a voluntary bankrupt. In the other class were merchants, bankers, brokers, factors, and underwriters owing not less than two thousand dollars. Any of these on petition of a creditor to whom at least five hundred dollars were due, might, against his will, be adjudged an involuntary bankrupt if he should flee from the State or Territory in which he lived in order to defraud his creditors, or hide himself to avoid arrest, or remove or conceal his goods to prevent their being taken in execution, or cause himself to be arrested or his goods and his chattels seized or make fraudulent sale, assignment, gift, conveyance, or transfer of goods, chattels, lands, or tenements." This law was very popular with debtors in general and Congress was petitioned to amend it so as to include banks and other corporations. It was especially popular in the West and the Southwest. In these sections there were a number of fugitives from lawsuits for debt, and a number of planters and farmers had either hidden or fled farther West with their slaves and other moveable goods. Inasmuch as the law was retroactive, it freed them from the ever-pressing danger of arrest and from the stigma usually attached to

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fugitives from justice. Serious objections, however, were offered by the commercial States of the East. Their merchants were to be the greatest losers. Under pressure from these States Congress repealed the act in 1843. But in the interval 39,000 persons

82. McMaster, *Ibid.*, VII, 48-49; Von Holst, *Ibid.*, II, 448, 464; Turner, *Ibid.*, p. 494; McGrane, *Ibid.*, p. 139.

83. McMaster, *Ibid.*, VI, 265; VII, 49; Turner, *Ibid.*, p. 267.

had cancelled \$441,000,000 worth of debt "by the surrender of less than \$44,000,000 worth of property which was divided among ⁸⁴ over a million and forty-nine thousand creditors."

Meanwhile, the Locofocos had gained control in a number of States. They responded to the clamor for relief by passing stay, valuation, and exemption laws, and abolishing or restricting imprisonment for debt. Stay laws delayed writs of execution; the period of delay varying in the different States. Valuation laws provided for an appraisal or determination of the money value of each article seized for debt and forbade sale when the offers were less than one-half, and in some cases less than two-thirds, of the appraised value. Exemption laws forbade the Sheriff to ⁸⁵ seize certain articles for debt. Eastern creditors, in general, were vigorous in their denunciation of such laws. In voicing their opposition, they asserted that the new laws tended to reverse the position of debtor and creditor. Under the old laws, the creditor had always been the plaintiff and the debtor the defendant; under the new laws the debtor is the plaintiff and the proceedings are always against the creditors. In a sense this was quite true. Under the old laws the power of the creditor to press his claims in court was almost unlimited and the debtor was liable to lose not only the smallest items of his property but also his liberty. Under the new laws the creditor had to defend himself against

84. McMaster, *Ibid.*, VII, 49; MacDonald, *Ibid.*, p. 681; Von Holst, *Ibid.*, II, 449, 464; Van Metre, *Ibid.*, p. 319; Faulkner, *Ibid.*, p. 234; Reznick, *Ibid.*, pp. 664, 683; McGrane, *Ibid.*, p. 139.

85. McGrane, *Ibid.*, p. 114; Reznick, *Ibid.*, p. 682; McMaster, *Ibid.*, (citing newspapers of the day and other documents), VI, 624 ff.; VII, 15, 45-48, 153, 184; Niles Register, Aug. 20, 1842; June 17, 1843.

appeals for stays of execution, excessive appraisals and exemptions. The whole set-up, they claimed, was a mere sponge for the wiping out of debts. But State Legislators were not quite so susceptible to pressure as Congress had been. They admitted that some unscrupulous persons were taking advantage of the new laws, but they also insisted that some means had to be taken to prevent the sacrifice of the property of the poor and the honest debtor. An appeal to the Supreme Court drew a decision that some of the laws were unconstitutional. Some hot-heads in Illinois publicly resolved to resist the decision, peaceably or forcibly, as the circumstances required. But cooler heads prevailed and the offending laws were either repealed or modified.⁸⁶

While the agitation for and against these laws was at its height, one eastern editor wrote, "All those legal and moral obligations which formed the basis of credit have been swept away. A merchant cannot trust a western dealer, because the State laws give him no protection. The capitalist cannot repose confidence in the banks, because monthly and weekly for the past three years, explosions have taken place disclosing fraud and mismanagement of the most astounding nature. ----He cannot trust States, because the same principle which induced the passage of stay laws disposed the people to resist taxation."⁸⁷

The question of taxation, to which the writer referred, was a trying one. In the early stages of the panic vast numbers of

86. McMaster, *Ibid.*, (citing newspapers of the day and other documents), VI, 625; VII, 45 ff.; Niles Register, June 17, 1843.

87. McGrane, *Ibid.*, (citing Hunt's Merchants' Magazine, VIII, 272, 273). p. 139.

taxable subjects, hoping to escape the economic stagnation which had overtaken the country, had deserted their home States and moved West. When it became evident that the future of the States which had plunged recklessly into speculative ventures was darkened by the cloud of heavy taxes, thousands followed in their wake. Many of these emigrants did not stop at the then frontier States. Upon arrival they discovered that even there the tax rates were forbidding and that many local residents had, like themselves, packed up and pushed on to further fields. Four of our present States were profiting by this movement - Iowa, Minnesota, Texas, and Oregon.⁸⁸ But the States which were being deserted found themselves in rather desperate straits. The loss of so many taxable subjects; the impecunious condition of many of those who had remained at home; the general unwillingness to submit to taxation; and the receipt of debased currency when taxes were paid was making it practically impossible for some of the States to pay their debts. Mississippi declared her inability to pay. Her example was quickly followed by Arkansas, Indiana, Illinois, Michigan, Maryland, Pennsylvania, Louisiana, Alabama, and Florida. In Mississippi and Florida the refusal ended in outright repudiation. The other States merely defaulted on their interest payments for a number of years. In Mississippi, Florida, and Arkansas there was some question of double dealing, but in the

88. Von Holst, *Ibid.*, II, 216, 560; Turner, *Ibid.*, pp. 265, 296, 309, 328, 354-358, 369, 496, 537; Paxson, *Ibid.*, pp. 295 ff., 323, 333, 337, 344, 353, 390-393; Caldwell, *Ibid.*, p. 302; Shannon, *Ibid.*, pp. 140, 161 ff.; Reznick, *Ibid.*, p. 680; Faulkner, *Ibid.*, pp. 200, 204, 213-220, 243, 334, 356, 360; McGrane, *Ibid.*, pp. 29, 143; McMaster, *Ibid.*, VI, 109, 393, 451 ff.; VII, 44, 201 ff., 286 ff. - Von Holst, Turner, Faulkner, McGrane, and McMaster cite numerous newspapers of the day and other works.

other States it was simply the inability of State officials to
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 collect taxes that drove them to such an extreme measure.

The repudiating and defaulting States were vigorously
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 denounced by business men, statesmen, and editors. Contemporary
 opinion blamed this sorry state of affairs upon the bad example
 which had been set by the banks. As one writer put it, "The banks
 set the bad example in breaking through the moral obligation of
 indebtedness by refusing to pay their debts, and the legislators
 sanctioned it. From this the transition was easy to a suspension
 of bank debtors, ----. The next step was to protect debtors from
 91
 individual creditors." Protection was secured for the citizens
 by the laws mentioned above and for the States themselves by a
 simple declaration of their intention to default or repudiate.

The greatest objections to default and repudiation came from
 abroad, and especially from England. Writers in that country, as
 Schouler says, dipped their pen in gall and made Americans writhe
 92
 under their satire. They also appealed to their government to take

89. Scott, W. A., The Repudiation of State Debts, (N. Y., 1893), passim;
 McGrane, R. C., Some Aspects of American State Debts in the Forties, in The
Amer. Hist. Rev., XXXVIII (July, 1933), p. 673; Schouler, Ibid., p. 419;
 Von Holst, Ibid., II, 443-444, 607-608; Turner, Ibid., pp. 229, 320; Shannon,
Ibid., p. 356; Van Metre, Ibid., p. 319; Scroggs, Ibid., 109 ff.; Dewey, Ibid.,
 244; McMaster, Ibid., VI, 398, 527-533, 624-628; VII, 19-44; Niles Register,
 Nov. 16, 1839, Feb. 8, 1840, Mar. 28, 1840, Dec. 11, 1841. - Scott, McGrane,
 Von Holst, Turner, and McMaster cite a number of newspapers and other
 documents.

90. Schouler, Ibid., IV, 420; Wayland, Ibid., p. 24; McGrane, Ibid., p.
 179; Von Holst, Ibid., 444; McMaster, Ibid., VII, 30 ff.; Niles Register, LXI,
 336. - McMaster cites a number of newspapers and other documents.

91. McGrane, The Panic, (citing the Illinois Senate House Reports, II
 [1842], 191-193), p. 138.

92. Schouler, Ibid., IV, 420; cf. also McMaster, Ibid., (citing the
London Globe, May 8, 1843), VII, 40-41.

some action. Concerning these appeals, the London Spectator remarked that "if the British government were to be called upon to collect debts due its subjects, it should be consulted before the debts were incurred," and that "had it been asked as to the propriety of staking the peace of the world on the good faith of Arkansas, or the Territory of Florida, some of the present claims would probably never have existed." The British government, itself, feigned indifference, but some effort was made to bring the matter of State debts into the Webster - Ashburton Treaty. However, the attempt failed.

Meanwhile, Baring Brothers, of London, had issued a circular openly advocating the assumption of State debts by the national government, and five London banking houses were financing a subtle campaign in the United States for the same purpose. To this end, writers and newspapers were hired, church organizations and politicians solicited, and, as some seem to think, were actually used. Special support was lent to the movement by Whig politicians and newspapers. But when the question came up in Congress, it was defeated by a group led by Senator Benton. This group denounced the movement as a British mandate, and cited as evidence the Baring Circular and the number of British agents then present in Washington and even in the galleries of Congress trying to exercise some influence on the legislation of the country. The resolution rejecting the proposal declared that

93. McMaster, Ibid., VII, 41.

94. Schouler, Ibid. IV, 420.

assumption of State debts, either directly or indirectly, by a distribution of land revenues among the States on the plea of relieving the distress of such as had fallen into debt, would be inexpedient, impolitic, unjust, dangerous, unequal, and unconstitutional. In 1843, Congress was again besieged with requests to assume State debts. By that time a number of States had defaulted on their interest. But Congress was determined not to assume and every resolution proposing such a measure was tabled. American credit had suffered abroad as a result of the defaults, but there was a general conviction that when conditions improved payments would be resumed. 1845 proved to be the turning point. In that year Pennsylvania resumed her interest payments and her example was quickly followed by all the other debtor States with the exception of Florida and Mississippi. The legislators of these two States asserted that the debts had been illegally contracted and refused to pay interest or principle. Neither State has made good even to this day; in fact, payment of the debts contracted during that period is forbidden by clauses in their constitutions.

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Another effect of the feeling of resentment was a determination to change the existing order of things. "Every breeze crys change," said Webster in one of his speeches; and in another, "the cry, the universal cry, is for a change." Clay, too,

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95. McGrane, State Debts, p. 679, 686; Turner, Ibid., pp. 426, 476, 477; Dewey, Ibid., p. 245; Schouler, Ibid., IV, 420; Von Holst, Ibid., II, 443 ff.; McMaster, Ibid., VI, 532, 533, 543 ff.; VII, 42-44. - McMaster, Von Holst, and Turner cite a number of newspapers and other documents.

96. Von Holst, Ibid., II, 392; Niles Register, LVIII, 282.

97. Von Holst, Ibid., (citing Webster's Private Corresp., II, 84; Works, II, 102), II, 359-360.

recognized the force of the movement and said, "They (the people) feel the absolute necessity for a change, and that no change can render their condition worse, and that any change must better it. This is the judgment to which they have come; this is the brief and compendious logic which we daily hear."⁹⁸

So intense was this desire for a change that some writers began to tremble for the security of the country. They believed that the nation was standing on the edge of a civil volcano, and one of their number went so far as to predict a revolution.⁹⁹ One must admit that there was some cause for alarm. There had been an increased consciousness of class and sectional differences.¹⁰⁰ Every public meeting of protest that was held; every petition that was submitted to political leaders; and every violent outburst of the masses, and there were many, served to intensify these differences. Biddle, who, one might say, was the spokesman for the national bank party, the rich, merchant-capitalists, and creditors in general compared his opponents to Marat, Robespierre, and the mob of the Faubourg St. Antoine. He branded them as banditti who should be driven back to their caverns.¹⁰¹ Jackson, who

98. Von Holst, Ibid., (citing Clay's Speeches, II, 422), II, 360.

99. Rezneck, Ibid., pp. 665, 671, 676; Commons, Ibid., (citing Orestes Brownson), I, 495.

100. Rezneck, Ibid., p. 664; Caldwell, Ibid., p. 310; Shannon, Ibid., p. 356; Schouler, Ibid., IV, 221, 465; Dewey, Ibid., p. 187; Von Holst, Ibid., II, 17; Commons, Ibid., I, 466, 489, 502; Turner, Ibid., pp. 61, 110, 201, 290 ff., 451; McGrane, Ibid., pp. 116, 159, 165, 177, 212, 215, 220, 222; McMaster, Ibid., VI, 374, 547; VII, 8, 12 ff.; Tuckerman, Ibid., Dec. 17, 1835. - Each of the foregoing, with the exception of Shannon and Dewey, cite numerous newspapers of the day and other documents.

101. Turner, Ibid., pp. 109-110; Schouler, Ibid., IV, 48, 52, 279; Von Holst, Ibid., II, 50 note; McGrane, The Panic, pp. 1-2, 176, 202, 225 ff. - Each of the foregoing cite newspapers and other works.

was the champion of the anti-bank party, the poor, laborers, and creditors in general, denounced his opponents as the possessors of exclusive privileges which enabled them to become richer and more powerful every day. He asserted that "the humbler members of society, the farmers, mechanics and laborers, who have neither the time nor the means of securing such favors, had a right to complain of the injustice ---." He branded his opponents as the enslavers of the democracy of numbers and accused them of trying to reduce honest laborers to the status of "hewers of wood and drawers of water for the monied aristocracy." He assured his followers of success if they adhered to the policies he had
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inaugurated. Both these great leaders had retired to private life before the full fury of the desire to change the existing order
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of things fell upon the country. But local and lesser leaders echoed and re-echoed their sentiments and stirred their followers up to a terrible frenzy, which happily found its outlet not in bullets but in picturesque campaigns and adverse ballots.

Politicians and reformers had been quick to sense the general conviction of the people "that no change could render their
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condition worse, and that any change would better it." Social reformers regarded it as a golden opportunity to introduce their

102. Turner, *Ibid.*, (quoting from the Jackson and Van Buren MSS), p. 452. cf. also Commons, *Ibid.*, 459; Schouler, *Ibid.*, IV, 48, 176, 193, 273, 289; Von Holst, *Ibid.*, II, 4, 11; McGrane, *Ibid.*, p. 153; Trimble, *Ibid.*, p. 409; McGrane, *Ibid.*, p. 1-2; McMaster, *Ibid.*, VI, 139-141, 145-146, 399, .. - cf. references to newspapers and other works in authors cited.

103. Jackson in 1837; Biddle in 1839.

104. cf. *supra*, note # 98.

schemes for social regeneration. These schemes were, one might say, a hodgepodge of the ideas which had been propagated in Europe by the early nineteenth century Socialists. They aimed at liberating the individual from the difficulties arising from his social and economic position. To achieve this they proposed the complete reorganization of society. The most popular of these reforming schemes was the modified form of Fourierism introduced into America by Albert Brisbane and warmly supported by Horace Greeley and a number of lesser satellites. The idea underlying Fourierism was the elimination of competition and the reorganization of the world on the basis of cooperation. After being introduced into America by Brisbane, the idea underwent further modifications and for a while spread throughout the country like an epidemic. But as time went on people began to question its wisdom and practicability. Business men would not admit that the existing order was wholly bad and that only a complete overthrow or abandonment of all existing institutions could save civilization. And wage earners were, as Commons remarked, unable to see the relationship between a phalanx in the wilderness of Pennsylvania and the wrongs which they suffered in Philadelphia. Moreover, trade unions were reviving and the wage earner beheld in them a more immediate and more effective means for the correction of specific evils, such as low wages and long
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hours.

105. Commons, *Ibid.*, I, 12, 487 ff; Turner, *Ibid.*, 96; Faulkner, *Ibid.*, p. 368 ff.; Schouler, *Ibid.*, IV, 7, 312 ff.; Shannon, *Ibid.*, p. 287 ff.; McGrane, *Ibid.*, p. 136; McMaster, *Ibid.*, VII, 142. - Commons cites numerous newspapers of the day and other documents.

Meanwhile, politicians were also taking advantage of the desire for a change. Small business men and laborers had combined to elect their friends; large business men countered by calling conventions and appealing to their associates to vote only for men favorable to their interests. On one thing, however, both groups were united; they wanted a change of all officeholders,¹⁰⁶ both State and national. Particular politicians, recognizing an opportunity for personal advancement and interested in office merely for the sake of the office and its advantages, sold themselves to whichever group happened to be strongest in their particular districts. Eminent politicians felt that the people were being humbugged and turned away from the consideration of correct principles, and some of them admitted that their confreres were motivated merely by a desire for power and plunder. But this knowledge did not deter them from encouraging the people in their belief that any change would be for the better. The result was an almost complete turnover of officeholders. In the process a number¹⁰⁷ of misfits were elected. John Quincy Adams declared that the intellectual capacity of Congress had been lowered and asserted that, "The daily practices of the House have degenerated it into¹⁰⁸ a meeting of sharpers." The people, too, were somewhat contemptuous of the men they had elected. One man wrote, "Time was

106. Commons, Ibid., I, 458-466, 459; McMaster, VI, 370; McGrane, Ibid., p. 134; Von Holst, Ibid., II, 359, 510-512. - All but McMaster cite numerous newspapers and other documents.

107. Von Holst, Ibid., II, 403-408, 693; Commons, Ibid., I, 459; McGrane, Ibid., p. 223; - Von Holst and McGrane cite newspapers and other documents.

108. Von Holst, Ibid., (citing Mem. of J. Q. Adams, X, 78, 303), II, 341, 343; - cf. also Schouler, Ibid., IV, 328; McMaster, Ibid., (citing newspapers of the day), VII, 53.

when it was an honor to be an officer, for few but honorable men could get there. Now it is in and of itself a disgrace; as it is difficult to avoid the suspicion that a man must have been the mean, cowardly, cringing, servile tool of a party, a mere cat's-paw, in order to get into office; and unless we know his character from some other source, we can hardly help despising him from the fact that he is in office!"

Political parties, also, looked upon the general conviction that any change would be a good change as a golden opportunity. At the time there were two main parties, Whigs and Democrats. The Democratic party was split into three groups - Conservatives, Moderates, and Radicals. The main lines of cleavage in the Democratic party were as follows: The conservatives favored a protective tariff, a national bank, and a reform of the so-called national paper-currency. The Moderates favored a tariff for revenue; were opposed to a national bank, and favored Jackson's "hard-money" policy. The Radicals, also, favored Jackson's "hard-money" policy, but were opposed to all banks, both State and national, and demanded complete freedom of trade. Strictly speaking the Whigs were not a party, but rather a coalition of merchant-capitalists, the remnants of the old National Republican party, Conservative Democrats, and every other group that was opposed to the policies of the Moderate and Radical Democrats. They were united in only two things; viz., in condemning the national administration and in urging a change of all officeholders. Economic hardships had, indeed given them a rallying cry,

109. Von Holst, Ibid., (citing Niles, LXIV, 351), II, 512, footnote.

but the success they achieved in the years immediately following the outbreak of the panic was, as many of the Whig leaders frankly admitted, a conclusive proof that the people were convinced, as Clay had said, that "no change could render their condition worse, and that any change would better it."

When the panic overtook the country, the Moderate Democrats were in control of the national administration. It was upon them that the first fury of the desire to change things fell. Van Buren, their leader, had persistently refused to abandon Jackson's "hard-money" policy or to recommend to Congress all the specific relief measures recommended by business men, Whigs, and Conservative Democrats. The abandonment of Jackson's "hard-money" policy would entail the repeal of the Specie Circular; this he refused to do on the grounds that it would aggravate rather than relieve conditions. His refusal to recommend any specific relief measures was explained thus: "Those who look to the action of the government for specific aid to the citizen to relieve embarrassments arising from losses by revulsions in commerce and credit, lose sight of the ends for which it was created, and the powers with which it is clothed ----. If, therefore, I refrain

110. Von Holst, *Ibid.*, Chaps. III, IV, V, VI; Schouler, *Ibid.*, IV, 193 ff., 286 ff., 327 ff.; Commons, *Ibid.*, I, 462; Turner, *Ibid.*, pp. 65, 66, 108, 120, 125, 187, 309, 320-321, 325, 331, 460-462, 479, 483; Faulkner, *Ibid.*, p. 222; Paxson, *Ibid.*, p. 132; Shannon, *Ibid.*, p. 354; McGrane, *Ibid.*, pp. 144 ff., 155, 169, 213, 215, 218, 223; McMaster, *Ibid.*, VI, 365 ff., 393, 550, 555, 598; - cf. the foregoing for references to newspapers and other documents. Trimble, *Ibid.*, discusses Democratic divisions in detail.

111. *American Almanac* (1838), 330; Faulkner, *Ibid.*, p. 231; Von Holst, *Ibid.*, II, 152, 190, 197, 201; Turner, *Ibid.*, p. 453, 454; McGrane, *Ibid.*, p. 63 ff.; Schouler, *Ibid.*, VI, 399, 407, 414; VII, 67-69; Dewey, *Ibid.*, p. 233. - cf. foregoing for references to newspapers and other documents.

from suggesting to Congress any specific plan for regulating the exchanges of the country, relieving mercantile embarrassments, or interfering with the ordinary operations of foreign or domestic commerce, it is from a conviction that such measures are not within the constitutional province of the general government, and that their adoption would not promote the real and personal welfare of those they might be designed to aid¹¹²."

This was a clear cut annunciation of Van Buren's opposition to the growing tendency on the part of business interests to call upon the general government for relief in any and every calamity brought about by their own folly. The Locofocos or Radical Democrats endorsed his stand as being in line with the main tenets¹¹³ of their group. But business men, Whigs, and Conservative Democrats denounced it as an "avowed disregard for public distress," and as an attempt to separate "the interests of the government and the people."¹¹⁴ The endorsement of the Locofocos also aroused them. In addition to the general party policy sketched above, the Locofocos advocated the abolition of all monopolies; insisted that debts should be regarded as debts of honor; and that credit should be based upon individual morality rather than upon collectibility at law. These principles were regarded as contrary

112. Von Holst, *Ibid.*, (citing the *Statesman's Manual* II, 1176), II, 200. - cf. also Trimble, *Ibid.*, p. 411; Richardson, *Ibid.*, III, 324.

113. Von Holst, *Ibid.*, II, 201; McGrane, *Ibid.*, 154-155, 165; Turner, *Ibid.*, p. 108, 127; Commons, *Ibid.*, I, 464; McMaster, *Ibid.*, VI, 403; Trimble, *Ibid.*, p. 411-412. - cf. foregoing for references to newspapers and other documents.

114. Von Holst, *Ibid.*, (citing *Webster's Works*, IV, 313, 314; *Debates of Congress*, XIII, 380, 385, 436, 482; *Clay's Speeches*, II, 328, 333, 334), II, 201, 206. Cf. also McGrane, *Ibid.*, pp. 147, 214, 217; Schouler, *Ibid.*, IV, 326; McMaster, *Ibid.*, VI, 416, 494, 496.

to all rights of property and as a species of class warfare. Hence, the Locofoco endorsement was taken as an opportunity to accuse Van Buren of trying to array one portion of the people in hostility to another, in brief of trying to foment class warfare. As early as October, 1838, the Democratic Review admitted that this accusation had weakened the cause of Van Buren and his following. Its editor wrote, "It must have struck everyone, that as soon as the opposition succeeded in propagating extensively the belief that the administration was hostile to the rights of property, it was left in a minority, and it can only recover its predominance by dint of disproving the accusations." The administration and its friends insisted that they were not in sympathy with the extravagant demands of the Locofocos and made valiant efforts to counteract the charges that they were trying to foment a species of class warfare. But they were unsuccessful. Conservative Democrats became alarmed and began to support Whig candidates. As a result, the Moderate Democrats suffered serious setbacks in the Congressional and State elections of 1837, 1838, and 1839, and went down to ignominious defeat in the presidential election of 1840.

Another thing which contributed greatly to the success of the

115. Von Holst, Ibid., II, 396-399; McGrane, Ibid., 136, 149 ff.; Commons, Ibid., I, 395, 533; Turner, Ibid., p. 127; Trimble, Ibid., p. 411. - cf. foregoing for references to newspapers and other documents.

116. As cited by Von Holst, Ibid., II, 399 footnote.

117. There were some slight gains made by the Democratic party in 1838 and 1839, but they were nullified by the ignominious defeat of 1840. - Cf. Turner, Ibid., p. 127; Trimble, Ibid., p. 412; Von Holst, Ibid., II, 209, 214, 215, 360; Schouler, Ibid., IV, 287, 294, 320; McGrane, Ibid., 151, 156 ff., 163, 165, 167, 171, 173, 175; McMaster, Ibid., VI, 499 ff., 555, 587 ff., 592, 595. - Cf. foregoing for newspaper references and other documents.

Whigs was the fact that debtors, laborers, farmers, small merchants, naturalized immigrants, and supporters of State banks had rallied to their support. They had done this in spite of their apparent conviction that Van Buren and his followers were their friends. Democratic leaders were astonished at such widespread desertions and charged the Whigs with bribery, physical coercion, and deliberate concealment of the real issues at stake. There seems to be no doubt that the Whigs had resorted to the use of some such measures. But far more effective than any of these measures was the subtle campaign which the Whigs had waged in the newspapers and on public rostrums. Debtors were won by the promise of a national bankrupt act; laborers were told that the Democrats were responsible for low wages and were advocating a still lower wage rate; farmers were reminded of the high prices that their products had brought in 1836 and were informed that their present inability to make ends meet was due to the stupidity of the men then in office; small merchants were advised by men who were able to fix prices that the continued support of Van Buren and his followers would be the signal for the downfall of all prices of the merchandise then stocked on their shelves; naturalized immigrants were told that the sub-treasury, Van Buren's substitute for a national bank, was a plan for laying the corner stone of a European despotism such as they had fled from when they immigrated to America; and State bankers were assured that the same institution would deprive them of their position as depositories of the public funds and would render

them wholly subservient to the central government.¹¹⁸

The inability of Van Buren and his friends to counteract such charges coupled with the general desire for a complete change of officeholders was responsible for the defeats they suffered in 1837, 1838, and 1839. But the losses suffered in these years were insignificant when compared with the ignominious defeat of 1840. In the campaign which preceded that election the Whigs made very skillful use of some sneering remarks that had appeared in Democratic papers. They had reference to the supposed poverty, mean lodgings, and humble occupations of Harrison, the Whig candidate for the presidency. They were based on a statement made by one of Henry Clay's admirers. Whig leaders feigning indignation at this so-called snub of the common man set in motion one of the most picturesque and emotional campaigns that the nation has ever witnessed. In song and verse Harrison was pictured as a man of the people, striving to drive out of office an aristocrat who was living in the lap of luxury, and the people were urged to repudiate the bloated plutocrats who were growing rich on the spoils of office and casting slurs upon honest poverty and humble labor.¹¹⁹

One may well imagine what an effect such propaganda had upon the already bewildered electorate. The Whigs were literally swept

118. McMaster, *Ibid.*, VI, 227, 495-496, 555, 561, 565, 579, 587, 589, 610; McGrane, *Ibid.*, pp. 56, 147, 149, 166, 174, 217, 233; Turner, *Ibid.*, p. 483; Schouler, *Ibid.*, IV, 284, 287; Von Holst, *Ibid.*, II, 206, 207, 346 ff., 360, 400-403, 522 ff. - cf. foregoing for newspaper references and other documents.

119. Schouler, *Ibid.*, IV, 327 ff, 336 ff.; Shannon, *Ibid.*, p. 354; Von Holst, *Ibid.*, II, 219, 366 ff., 371, 374, 392, 406, 412; McMaster, *Ibid.*, VI, 498-509, 550 ff., 561, 563, 570 ff.; Turner, *Ibid.*, pp. 481-486; McGrane, *Ibid.*, p. 175. - Cf. foregoing for newspapers and other documents.

into office. But their success was not long-lasting. By 1841 the people seemed to realize that they had been duped, or at least used by the politicians as a means of furthering private and special interests. The repeal of the Specie Circular, which had been so warmly advocated by Van Buren's opponents as a means of restoring prosperity had merely been the prelude to the so-called panic of 1839; the Bankruptcy Act of 1841 had benefited mainly dishonest rather than honest debtors; strenuous efforts were being made to restore the national bank to its old position; and in the States no effective means had been taken to correct local bank and currency disorders nor to curb rapacious creditors. By 1844 the desertions from the Whig ranks were so numerous that prominent Whig leaders were moved to say that the Whig party had been disbanded and perhaps could never again be reunited. Their statements were a little premature. But the fact that many of the successful candidates in the elections held between 1841 and 1844 were Radical Democrats was, one might say, an emphatic sign that the people were determined to effect, or have effected, some radical changes in the laws of the land.

The reforms demanded indicated that the people, as a whole, had changed their ideas regarding the duties of the State toward the economic and social conditions of its inhabitants. That State legislators realized this may be readily inferred from the fact that the years immediately following the panic were characterized

120. Von Holst, Ibid., II, 388, 404, 410, 464, 695; McMaster, Ibid., VI, 623; VII, 1; Trimble, Ibid., pp. 416, 418. - Cf. foregoing for newspapers and other documents.

by numerous and notable legal and constitutional reforms.¹²¹ Among the reforms effected was that series of laws modifying the relations between debtors and creditors to which we referred above;¹²² another series limiting the activities of bankers, money brokers and other corporations; and still another series limiting the use of State credit.¹²³ All these laws were designed to correct the evils of the credit, banking and currency systems. Without exception they showed a strong feeling against banks and all speculative enterprises, especially when they involved the use of State credit or the currency of the country. Conservative forces were alarmed and the Supreme Court declared some of the laws unconstitutional. But the bulk of the laws passed by the Radical Democrats still remain, either in their original or in a modified form,¹²⁴ as a sign of the determination of an aroused electorate.

The national government, likewise, yielded to the pressure of public opinion. Harrison's death and Tyler's succession had forestalled Whig intentions to reestablish a national bank. In 1841 the Whigs in Congress forced the repeal of the Independent or sub-treasury act which had been passed in 1840, and had also forced through the Senate and the House two acts authorizing a new national bank. But Tyler had vetoed both acts, and Congress in its turn rejected a compromise bill which he had submitted for

121. McMaster, Ibid., VII, 162.

122. Cf. p. 82 ff.

123. Paxson, Ibid., p. 322; Reznick, Ibid., pp. 675, 677, 680; Turner, Ibid., pp. 108, 128, 320; McGrane, Ibid., pp. 100, 101, 106, 108, 122; McMaster, Ibid., VII, 8-19, 27, 164, 165, 181, 182-184, 201, - cf. foregoing for references to newspapers and other documents.

124. Trimble, Ibid., pp. 400, 417 ff.

their consideration. The question had long since become a political rather than a financial issue. It was not settled until 1846, when President Polk signed the bill authorizing the establishment of the Sub-Treasury. By that time the Democrats had the upper hand in national politics. Its passage settled the last major question involved in the Panic of 1837. However, the new institution came into being long after the more violent aspects of the panic had disappeared, and at a time when the United States had embarked upon a new era, and was, if we may consider her history in the light of a succession of panics, preparing for the panic of 1857.

125. McGrane, Ibid., pp. 3, 147-149, 158, 162, 172, 175, 191, 201, 209-236; MacDonald, Ibid., pp. 126, 133; Von Holst, Ibid., II, 202, 208, 218, 379, 389, 410 ff., 536; Dewey, Ibid., 235, 239, 252; Turner, Ibid., 108, 456, 486, 492; Scroggs, Ibid., 86, 275; Shannon, Ibid., p. 353; Schouler, Ibid., IV, 283, 290, 310, 325, 378, 416, 517, 541; Faulkner, Ibid., 231; McMaster, Ibid., VI, 416, 494, 545, 548, 573, 594, 630, 636; VII, 55; Rezneck, Ibid., p. 669; Van Metre, Ibid., p. 319. - Cf. foregoing for references to newspapers and other documents.

126. Paxson, Ibid., p. 322; McGrane, Ibid., p. 1.

CHAPTER IV

THE PANIC IN REVIEW

In this paper we have been considering one of the major events in the history of our nation; viz., The Panic of 1837. We have classified the various causes assigned for the panic by contemporary and later writers as real, precipitating, and contributory. The real cause was the wide-spread rage for speculation; the precipitating cause was the joint effect of (a) the act of June 23, 1836, regulating the deposit of public funds; (b) the order for the distribution of the surplus revenues; (c) the Specie Circular, directing that in the future all public lands should be paid for in gold or silver; and (d) the demand of English creditors that American debtors repay their loans; the contributory causes were (a) the destruction of the United States Bank, and (b) the joint effect of luxurious living and numerous crop failures, fires, and floods.

We have, also, indicated the general effects of these various causes. The general effect of the wide-spread rage for speculation was to place the credit system of the entire country upon the slender balance point of the speculator's ability to sustain the confidence of the country over an indefinite period. The general effect of the act of June 23, 1836, was to curtail the supply of paper money at a time of great demand. The general effect of the order for the distribution of the surplus revenues was to withdraw millions of dollars of specie from circulation at a time when the business and monetary conditions of the country

demanded that large amounts of specie be available for almost instant use. The general effect of the Specie circular was to render practically useless millions of dollars of paper money, and to arouse a strong suspicion in the minds of the people that all was not well with the banks. The general effect of the demands laid upon American debtors by their English creditors was the destruction of the great credit pyramid which had been built upon confidence in the future, the undermining of public confidence in American banks, and the subsequent run upon the banks. The general effect of the suppression of the United States Bank was the derangement of foreign and domestic exchanges and the disappearance of the only real effective check upon irresponsible and unscrupulous State bankers, excessive issues of paper money, and rash speculative ventures. The general effect of luxurious living and of the numerous crop failures, fire and floods was the loss of millions of dollars which the country, inasmuch as it became involved in a panic, was never able to replace.

Before undertaking a description of the particular effects of the panic we defined the meaning of the terms "panic," "business cycle," "crises," and "depression;" gave the force of the words "financial," "commercial," and "industrial" when used in connection with the word "panic;" described the meaning of the term "credit and banking system;" and discussed briefly the developement and rapid expansion of the credit and banking system in the early nineteenth century, together with the bad banking practices which attended that developement.

The Panic of 1837 was an industrial panic. It affected

producers in all lines of economic endeavor and serious repercussions were felt in every phase of national life. The economic disorders which attended the panic may be grouped under four main heads: (a) The breakdown of the credit and banking system; (b) the chaotic condition of the currency system; (c) the distressing condition of public finance, both federal and State; and (d) the dislocation of industry.

The main points to be considered under these four heads are the following: Under the heading, "The breakdown of the credit and banking system:" (a) The rapid expansion of the credit and banking system in the early nineteenth century; (b) the bad banking practices of the State bankers; (c) the inability of the banks to pay their depositors in specie; and (d) the ineffectual efforts made to effect resumption of specie payments prior to 1842 and 1843. Under the heading, "The chaotic condition of the currency system:" (a) The ineffectual efforts of the federal government to provide a national metallic currency; (b) its failure to provide an agency for the control and regulation of a national paper currency; (c) the reduction of the prevailing paper-currency system to a babel of bad bank notes by irresponsible and unscrupulous State bankers; (d) the activities of counterfeiters; (e) substitutes for money issued by local interests in order to facilitate small business transactions; and (f) the resulting chaos and weeding-out process. Under the heading, "The distressing condition of public finance:" (a) The causes; (b) the effects; and (c) the means taken to remedy the situation. And under the last heading, "The dislocation of

industry:" (a) the effects of the panic upon commerce, manufacturing, cotton growing, and general farming; and (b) some estimates indicating the tremendous losses sustained by the various types of investors.

The social and political effects may, in a like manner, be grouped under two general heads: (a) The feeling of fear, doubt, and suspicion; and (b) the feeling of resentment.

Fear, doubt, and suspicion was the first reaction. It affected all classes. For the rich, it was the natural outgrowth of the severe losses which they had suffered; of the sudden collapse of the economic institutions which prior to the panic had assured them of a steady income; and of the practical impossibility of forecasting what new disaster the morrow would bring. For the wage-earners, it was the natural result of continued enemployment; of low wages and the high cost of living; and of the helplessness of the labor unions which were no longer able to give them the help they so badly needed.

Fear, doubt, and suspicion, however, gradually gave way to a feeling of resentment, which manifested itself in (a) meetings and petitions of protest, (b) riots; (c) a search for the causes; (d) a hatred for the credit and banking system, (e) the disappearance of the moral feeling of obligation; and (f) a determination to change the existing order of things.

Those who searched for the causes quite naturally fell into two main groups: (a) The moralizers, and (b) those who were searching for a scapegoat who could be blamed and punished for his misdeeds. The moralizers, according to their respective

lights, regarded the panic as an act of God, as a salutary lesson of self restraint, as a result of the opium trade with China, or as an outcome of an excessive desire to grow rich. Those searching for a scapegoat may be listed under four heads: (a) Those who blamed England; (b) those who blamed the bad government of the party then in power at Washington; (c) those who blamed the speculators; and (d) those who blamed the credit and banking system. Strictly speaking, the last group was not a distinct group clearly set apart from the other groups. Hatred for the credit and banking system was quite general. Its concrete manifestation is to be found in the laws and constitutions drawn up in the period immediately following the panic.

The gradual disappearance of the moral feeling of obligation was another manifestation of the feeling of resentment. This social effect was the outcome of the people's firm conviction that they were being made the victims of a vicious credit system. Thoroughly aroused, they insisted that their legislators pass laws which would permanently limit the power of creditors to press their claims in court. In response to this demand the federal government passed the National Bankruptcy Act of 1841, and many of the State Legislatures passed a series of stay, valuation and exemption laws; abolished or restricted imprisonment for debt; and declared their intention of repudiating the debts which had been contracted for the developement of speculative enterprises at State expense. Eastern and foreign creditors were highly indignant and used every means in their power to effect a repeal of the new laws. In some cases their efforts were

successful, but the bulk of the laws effecting the relations between debtor and creditor, which were passed during the panic years, still remain in force, either in their original or in a modified form, as an indication of the intensity of the resentment which characterized the feeling of the general public during the late 1830's and early 1840's.

The final and more enduring effect of the feeling of resentment was the determination to change the existing order of things. Social reformers, particular politicians, and political parties were quick to seize upon this determination as a means of furthering their own special interests. Fourierism, the most popular of the reforming movements, for a time, swept throughout the country like an epidemic; but it died out almost as quickly as it had sprung up. Businessmen were unwilling to admit that the existing order was entirely wrong, and laborers beheld in their reviving labor unions a more effective means of achieving their ends. Political reformers, or so-called political reformers, were also quite successful in the beginning; so much so that there was an almost complete turnover of officeholders. In a number of picturesque and bitterly contested campaigns the Democratic party went down to ignominious defeat. But the success of their opponents, the Whigs, was not long lasting. Whig leaders refused to effect the changes which the people were demanding. Their failure to do so and to realize that the people, as a whole, had changed their ideas regarding the duties of the State toward the economic and social conditions of its inhabitants indicated that they had lost touch with the voters and that only a matter of

time stood between the party and its extinction.

The passage of the bill establishing the Sub-Treasury in 1846, settled the last major question involved in the Panic of 1837. However, by that time the United States had embarked upon a new era of its history, and was, as we have already said, preparing for a new panic, the panic of 1857.

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